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Revolutionary Foreign Policy of China

A Report

submitted to the Japanese Government

by

Mr. MAMORU SHIGEMITSU

Japanese Minister to China

DECEMBER, 1931

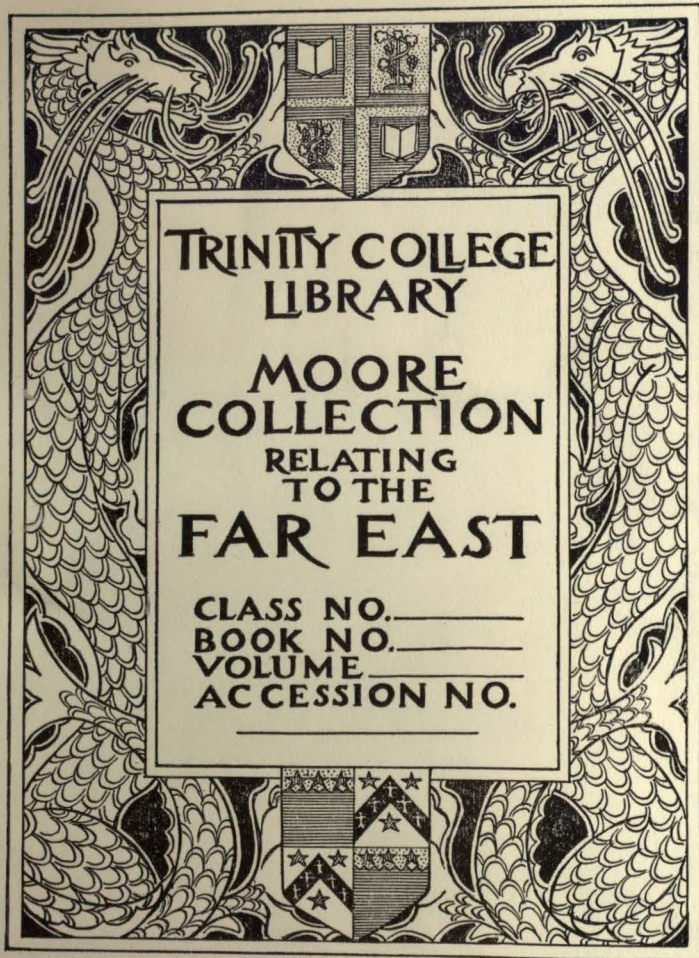
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The present booklet is a translation of the Japanese original, which contains, besides what is translated here, Part VIII on "Outline of Modern Political History of China".

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Introduction.

1. China in Revolution.

Since the overthrow of the *Ching* Dynasty in 1912, China has been passing through a period of chaotic confusion created by a series of political, as well as social, revolutions. During these twenty years the variegated people comprising the *Han* and other diverse races scattered over the continent have been hopelessly struggling to effect a speedy transition from extreme feudalism towards a leftmost polity, with the pitiable result that in present day China all sorts of heterogeneous modes of life, from primitive and nomadic to modern and grotesque, are on view. Indeed, every political, social, or spiritual phase of life that the human race have ever devised or experienced has been put to the test in China, but the experiment has only proved that China is far too spacious and her people much too complex for organizing a unified state of modern conception.

China, with all her civil wars and kaleidoscopic political changes, has not been entirely without opportunities for consolidating herself into a unified state. There were at least two such opportunities,—one in 1915, when President Yuan Shih-kai planned to set up a monarchy, and the other in 1927, when General Chiang Kai-shek, emerging from Canton, made a successful northward expedition and erected a central Government in Nanking upon the foundation of the *Kuomintang*. General Chiang proceeded to the unification of the country with indefatigable energy and made one think that China was at last on the way to salvation. But it was not long before the egoistic nature of the Chinese people,

actuating both citizens and officials alike to seek in all their doings individual interests before or even at the sacrifice of the cause of the country, led to the disintegration of powers and the disruption of the Party and of the Government. Thus impartial outside observers were disappointed in their sympathetic expectation of the advent of a unified state in China, and it has become a generally accepted but deplorable forecast that in the immediate future China will not be able to get out of the gloom amidst which she has been wandering. And the path before her promises to be even darker.

2. Foreign Powers' Sympathy with China.

The foreign Powers have been looking on the progress and retrogression of revolutions in China with sympathetic eyes. What they expect from their relations with China, being chiefly concerned with commercial and industrial development, are the principles of "open door" and "equal opportunity" which they have been upholding. They have kept their "hands off", and patiently waited for China to be unified under a stable government. Indeed, few instances could be found of such patient and sympathetic dealing in the history of international intercourse. Unfortunately, what China has done on her part during the past score of years have fallen much too short of the Powers' expectations, and only brought the fact to light that the root of evil in China lies in her absolute lack of power to manage her own affairs.

The principle of non-interference in the internal affairs of China must none the less be adhered to, and so long as a recognized central Government exists the foreign Powers should support it. But if China's Government continues to disclose its incapacity to adjust its own affairs, the patience of the foreign Powers is bound to be exhausted. For the world cannot be indifferent to such a large portion of the surface of the globe as China remaining indefinitely in a state of chaotic confusion while other countries are groaning under unprecedented economic and political pressure as an aftermath of the world war.

3. Japan and troubled China.

While China was groping in the endless turmoil of revolutions, Japan continued her strenuous efforts to keep abreast with the times, and her economic and political position in the world has been speedily elevated. Upon coming to the front, however, she now realizes that in her rightful efforts towards national prosperity she is faced with obstacles of such nature as other Powers have never experienced in their modern development.

The whole surface of the earth had been partitioned among the Powers of the West during the last century, and when Japan emerged from her seclusion of centuries' duration, the doors had been closed to her on all sides. Her overflowing population is nowhere allowed a sufficient outlet. The Japanese people are given no chance to get on either as a nation or as individuals. The world is closed not only to the people of Japan but also to her products, for the Powers since the end of the world war have erected the barriers of customs duty in disregard of the spirit of the Covenant of the League of Nations.

Furthermore, a special phase of the development of modern history for which Japan is not in the least responsible has placed her in a unique predicament. The northernmost end of the Japanese territory adjoins Soviet Russia, whose social order and political constitution are incompatible with those of Japan. As a still closer neighbour Japan has China, a semi-Bolshevik disorderly country. The strife between capitalism and communism, between democracy and Bolshevism, is the darkest vortex in the society of nations to-day, and Japan is indeed on the verge of it. The Far East is the only field of activity left for the Japanese, and there, what may be of little consequence to the Western Powers affects the very basis of the existence of the Empire. Unless China ceases from her constant infringement of treaties and violation of international justice and humanity, the Japanese will be compelled to rise to defend themselves and vindicate their rights to exist.

4. Japan's Special Position in the Far East and Protection of her Rights and Interests.

No one calls in question the predominant position of the United States in Central America and the Caribbean districts or of Great Britain in Egypt and India. Providence has endowed Japan with a similar position in the Far East. It devolves on her to deal with whatever happens there at her own risk and responsibility. When her rights and interests in Manchuria are encroached upon by revolutionary means, she must consider whether the existing treaties and international organs can function to accord her adequate protection. The Covenant of the League of Nations, the Paris Kellogg-Briand Pact of 1928, or the Washington Nine-Power Treaty of 1922 does not anticipate, and therefore is unfit to adjust, an international trouble arising from an abnormal state of affairs such as is prevailing at present in the Far East. This has been proved by the latest development in the situation. Japan, after all, has to protect herself by her own power.

PART I

Revolutionary Foreign Policy of China.

1. It is the avowed policy of the *Kuomintang* and the National Government to repudiate any treaties unfavourable to China as "unequal treaties." This policy was formally declared on January 21, 1924, at the first National Convention of the *Kuomintang*. The National Government, even after the transfer of its seat to Nanking, has been irrevocably committed to the denunciation of "unequal treaties," and has frequently made the pledge to the people that it would revoke special rights and interests conceded to foreign Powers. In execution of this pledge, it issued in December, 1929, a mandate in which it declared that "on and after January 1, 1930, all foreign nationals in the territory of China who are now enjoying extraterritorial privileges shall abide by the laws, ordinances and regulations duly promulgated by the Central and Local Governments of China." In December, 1930, it sent threatening notes to the Powers concerned, intimating that China would resort to measures other than diplomatic negotiations unless a satisfactory solution of the extraterritoriality issue was obtained before the end of February, 1931. Further in May, 1931, it issued a mandate and the "Regulations Governing the Exercise of Jurisdiction Over Foreign Nationals in China," providing that "on and after January 1, 1932, foreign nationals shall be subject to the jurisdiction of the Chinese Court." As far back as 1928, there arose a controversy between Japan and China regarding

the interpretation of Article 26 of the Sino-Japanese Treaty of July 21, 1896. Article 26 of the Treaty said that "if no such revision be effected, within six months after the end of the first ten years, then the Treaty, in its present form, shall remain in force for ten years more, reckoned from the end of the preceding ten years, and so it shall be at the end of each successive period of ten years." In spite of the fact that no revision was effected within six months after the end of the preceding ten years, the Chinese Government, following the foregoing policy, intimated that the Treaty was no longer operative, and invited the Japanese to submit to the jurisdiction of the Chinese court. After long and tedious negotiations, Japan and China in July, 1929, reached an understanding to maintain the status quo of the Treaty. (Unfortunately, however, China has since frequently violated this understanding.) Moreover, the Chinese Government has, in the past, reiterated its intention to recover foreign settlements and concessions as well as leased territories in China; if necessary by force. Dr. C. T. Wang, the Minister for Foreign Affairs, in an interview given to journalists in Peiping in 1929, is reported to have mentioned the following programme for the cancellation of "unequal treaties":

1930—Abolition of extraterritoriality.

1931—Recovery of foreign concessions and settlements.

1933—Recovery of leased territories, etc.

2. The corollary to this so-called "Revolutionary Diplomacy" is the denial on the part of China of the legitimate interests of foreign governments and nationals. In achieving this end, China resorts not infrequently to forcible measures as in the case of the seizure in 1927 of the British Concessions at Hankow and Kiukiang by mobs instigated by Kuomintang workers. But, usually, she has taken recourse to such methods as evasion, procrastination, pin-pricking, intimidation, etc. Japan has long been the most pronounced victim of this policy. Her reiterated demands for the enforcement of treaties and agreements fell on deaf ears, and her sincere efforts in the interest of mutual existence and prosperity have been denounced as imperialistic. Especially

in Manchuria, Japan has been the aggrieved party for years past. Heavy penalties have been inflicted on the Chinese who leased land in Manchuria to Japanese nationals although the right to lease land was granted to the Japanese in the Treaty of 1915 relative to Manchuria and Eastern Inner Mongolia. China has failed to build the Kirin-Hueining Railway although she promised to build it in the Chientao Treaty of 1909. She has built parallel lines to the South Manchuria Railway, which she engaged not to build before the recovery by her of the latter railway in the protocols to the Treaty of 1905. Responsible officials of the National Government have openly discussed the recovery of Kwantung Leased Territory including the thriving port of Dairen as well as Port Arthur. Moreover, recent disclosures in Kirin and other places have confirmed the persistent rumours that innocent and hard-working Koreans are being subjected to the cold-blooded persecution of Chinese authorities and are being detained in prisons with their legs manacled in open violation of treaty provisions. In all this, China has acted in utter disregard of the historical background. Thirty years ago Manchuria was virtually lost to Russia as a result of the Sino-Russian Secret Alliance concluded in 1896. Japan made supreme sacrifices to restore it to China, and through the enterprise of Japanese people, it has grown into a prosperous country, entirely free from the chronic internal troubles of China proper. Yet, China has turned deaf ears to the claim of Japan that she has an enormous stake in Manchuria with her total investment amounting to over two billion yen, and her large population there of over one million Japanese subjects.

3. So far, we have deliberately left out the discussion of anti-foreignism and the economic boycott which are the most powerful weapons in the hands of China. Before proceeding with the discussion, it is most fitting and proper to allude to the Constitution of the Kuomintang which is the mother of the National Government of China. The Constitution of the Kuomintang is the embodiment of the "Three People's Principles" advocated by the late Dr. Sun Yat-sen, the father of the revolution. Dr. Sun urged his followers to

resort to anti-foreignism and the economic boycott to accomplish his "Principles," in particular the "Principle of Nationalism." Consequently the economic boycott and anti-foreign movements have been recognized officially by the Kuomintang and the National Government as the means to achieve the national ends. The boycott, and the "partisan" warfare such as is now rampant in Manchuria, are the tactics usually employed by China against "imperialistic" Powers. In attempting to nullify treaty rights and interests, China resorts to these vicious methods with telling effect. Not only in the army or in schools but in other organizations as well, do we witness organized training and instructions along these lines. By vehement propaganda in the press, virulent posters, compulsory non-buying and non-selling, lynching of "traitor" merchants, inciting of strikes and other varied means of terrorism, the Kuomintang has succeeded in systematically mobilizing the forces and directing them against one Power or another causing untold suffering to the afflicted party. In fact, the economic boycott and anti-foreign propaganda are the manifestations of the national policy of China.

4. As aforesaid, the fundamental policy of Nationalist China is the repudiation of "unequal treaties" with the nullification of the legitimate interests of foreign governments and peoples as its corollary. To achieve these ends, the Chinese Government and people, instead of going through diplomatic channels, frequently resort to the despicable means of intimidation and incrimination. In this treaty-scrapping attitude and the direct actions emanating therefrom lies the root of China's difficulties with other nations. Admitting that the present anti-Japanese boycott has been accentuated by the Manchurian incident, it is no less true that the Manchurian incident is the outcome of the unrelenting anti-Japanese outrages in Manchuria of years' standing. The "Revolutionary Diplomacy" of China, patterned after the Soviet model, thus constitutes a constant menace to foreign rights and interests in China.

PART II

The Washington Conference and Thereafter.

1. Sympathy of the Powers with China expressed at the Washington Conference.

Since the conclusion of the Sino-Japanese Treaty of 1915, China has continually carried on sharp anti-Japanese movements. At the Paris Peace Conference in 1910, China, upon meeting the refusal of her demand regarding the Shantung question, refused to sign the Treaty of Versailles. At the Conference on the Limitation of Armament held at Washington, 1921-1922, various problems of the Far East were discussed. The Powers, partly moved by the pro-Chinese sentiment then prevailing, and partly led by the traditional Chinese propaganda policy of playing off one foreign Power against another, became inclined to favour China, so that her desires put before the Washington Conference were on the whole realized. Japan, too, consented to the renunciation of the Anglo-Japanese Alliance, and endorsed, without reserve, the spirit of sympathy and assistance for China expressed at the Conference. In short, the Washington Conference decided to give every possible assistance to China in her attempt to establish a unified state and to furnish her with most effective opportunities for promoting the welfare of her people.

With this purpose in view, the Conference discussed eight tentative proposals presented by the United States regarding the territorial and administrative integrity and

the open door of China, and ten proposals submitted by China embodying her desires. On February 6th, 1922, the Conference signed two treaties generally cited as "the Nine-Power Treaty" and "the Customs Tariff Treaty." The former provides chiefly for the sovereign independence and the territorial and administrative integrity of China and the principle of the open door and equal opportunity for commerce and industry in China; and the latter provides chiefly for the revision of the Customs Tariff with a view to increasing the Customs revenue of China. The Conference also passed various important Resolutions, namely—(a) A resolution regarding the establishment of a Board of Reference to deal with questions arising in connection with the execution of the provisions of the Nine-Power Treaty with respect to the principle of the open door and equal opportunity (No. 3); (b) A resolution regarding the establishment of a Commission to inquire into the laws and the judicial system of China and to recommend such means as might improve the administration of justice in China so as to facilitate the abolition of extraterritoriality (No. 4); (c) A resolution regarding the abolition of foreign postal agencies in China (No. 5); (d) A resolution to agree to the withdrawal of the armed forces, inclusive of police and railway guards, stationed in China without the authority of any treaty or agreement upon condition of adequate assurance being given by China for the protection of the lives and property of foreigners in China, and to establish a commission of enquiry for the purpose of carrying out such withdrawal (No. 6); (e) A resolution regarding the limitation of the use of foreign radio stations in China, the transfer to the Chinese Government of the foreign radio stations maintained in China without the authority of the Chinese Government, and the limitation of the use of wave-lengths (No. 7); (f) A resolution regarding unification of railways in China (No. 8); (g) A resolution regarding the reduction of the excessive military forces of China with a view to promoting her political unity and economic development (No. 9); (h) A resolution to publish all matters affecting the political and other international obligations of China and of the several Powers in

relation to China, and to publish treaties and contracts involving the application of the principle of equal opportunity in order to remove various misunderstandings and disputes arising from their non-publicity (No. 10).

Simultaneously with the Conference of the Limitation of Armament, Japan carried on direct negotiations with China at Washington with regard to the former German Leased Territory in Shantung, and by the Treaty regarding the Settlement of Shantung Problems signed on February 4th, 1922, Japan agreed to transfer to China the rights relating to Shantung which Japan had taken over from Germany by the Treaty of Versailles.

2. The Special Conference on Chinese Customs and the Commission on Extraterritoriality.

The Treaties and Resolutions of the Washington Conference, 1921-1922, were made with a view to providing China with every possible facility for her unification, and Japan and other signatory Powers have ever since abided by the letter and spirit of those documents.

The object of the Special Conference on Chinese Customs held in Peking in 1925 in accordance with Art. 2 of the Customs Tariff Treaty signed at Washington was to substantiate the friendly spirit which the Powers expressed towards China at the Washington Conference. At this Special Conference Japan showed her sympathy for China, and especially urged the Powers to give favourable consideration to China's desire for tariff autonomy, with the result that a resolution was passed on November 19th, 1925, concerning the recognition of China's tariff autonomy.

Prior to this, the Powers had agreed to revise the Chinese customs tariff so that the rates of duties on imports into China were equivalent to an effective five per cent. in accordance with Art. 1 of the above-said Customs Tariff Treaty signed at Washington, and the Customs Tariff thus revised came into force in January, 1923. At the Special Conference on Chinese Customs it was informally agreed among the Powers, except China, according to the suggestion of

Japan, that, with a view to further increasing the customs revenue of China, new rates of import duty classified into seven grades and equivalent to the average rate of a little over 11 per cent. ad valorem should be put into operation as a provisional measure until China was able to exercise her tariff autonomy. This attitude of the Powers towards China was taken in order to render assistance to the Chinese Central Government in its need and "to provide the fullest and most unembarrassed opportunity to China to develop and maintain for herself an effective and stable government" as stipulated in Art. I, (2), of the Nine-Power Treaty. And for this purpose the Powers deemed it also important to restore China's international credit and facilitate foreign investment in China. They attempted to effect at this Conference the consolidation of the unsecured and inadequately secured obligations of China, and through the unusual efforts of the Delegates a general scheme was formed.

When the Special Conference on Chinese Customs was in session, in January, 1926, a Commission on extraterritoriality was set up in Peking of eminent jurists of China and other Powers with a view to aiding China in the realization of her desire to abolish the extraterritorial jurisdictions. This Commission, upon spending eight months in the investigation of the legal system and the actual condition of the administration of justice in China, submitted a Report to the Powers concerned. The Chinese member of the Commission, in signing this Report, made a reservation to the effect that he did not perfectly approve Parts I, II and III thereof (which are statements of facts), but no reservation was made with regard to Part IV (which contains the Recommendations of the Commission). Therefore the same Recommendations are to be considered as the conclusion reached unanimously by the members of the Commission including the Chinese, and the greatest importance has to be attached to these Recommendations in dealing with the extraterritoriality question.

In the meanwhile the political situation in China became worse and civil wars were continually carried on, until the anti-Government forces approached Peking, the then seat of

the Government, so that General Tuan, the Provisional Chief Executive, took to flight and the Chinese representatives to the Special Conference on Chinese Customs disappeared one by one. Thus the Conference came to an end, and much of the Powers' efforts was wasted.

3. The Nanking Government and the Attitude of Powers.

When the Special Conference on Chinese Customs in Peking was compelled to close its work owing to the disappearance of the Chinese representatives, a Government formed in Canton with the aid of Borodin, the Soviet adviser, had been gaining strength, and while the northward expedition of the National Revolutionary Army was successfully conducted by General Chiang Kai-shek, the Wu-Han Government with communistic tendency was established at the beginning of 1927. The same Government incited the whole of China to violent anti-foreign movements, and went so far as to recover by force the British Concessions at Hankow and Kiukiang. Later on, the National Revolutionary Army took possession of Nanking, and established there the Nanking Government in execution of Sun Yat-sen's will instructing to make that city the capital of the country. It is still fresh in the memory of the world that the Revolutionary Army committed shocking atrocities as it entered Nanking in March, 1927, when foreign Consulates were looted and foreigners were massacred by Chinese regular troops. Immediately after the Nanking Incident, Chinese mobs intruded into the Japanese Concession in Hankow and perpetrated the outrage known as the Hankow Incident. The Revolutionary Army continued its northward advance to capture Peking, and in May, 1928, clashed with the Japanese forces in charge of the protection of the Japanese residents in Tsinan, and brought about the so-called Tsinan Incident.

In spite of the fact that the outrageous activities of the Revolutionary Army gave rise to such grave incidents as above one after another, and that the Bolshevik policy of the Nanking Government was incompatible with foreign interests, the Powers kept their patience with China hoping

that the Nanking Government would eventually prove to be equal to the task of unifying the country. They recognized the Nanking Government, negotiated with it for the settlement of the Nanking Incident, and recognized China's tariff autonomy. In March, 1929, Japan settled the Tsinan Incident, and in May of the same year she settled the Hankow and Nanking Incidents and, furthermore, consented to enter into negotiations for the revision of the Commercial Treaty. In May, 1930, Japan concluded with the Nanking Government the Customs Tariff Treaty and thereby recognized China's tariff autonomy. Following on this, the Japanese Government made efforts to assist the Nanking Government to recover its international credit through the consolidation of the unsecured and inadequately secured obligations of China according to the consolidation scheme framed by the Special Conference on Chinese Customs. (In September, 1930, the first Conference of Representatives of Creditors was held between China and Japan, and in November of the same year another Conference was convened including the representatives of creditors of other Powers, and thus the way was paved towards the solution of the question. But owing to the unstable condition and financial difficulty of the Nanking Government the matter had to be left unsettled.) The Powers have been endeavouring in such a manner as aforesaid to support the Nanking Government, the central Government of China, with a view to helping it become "an effective and stable government" and causing China unified under it. Never in the history of the world have the Powers shown to a country such patience, goodwill, and sympathy.

4. Washington Conference and after.

Since the Great War the world has been undergoing rapid changes in economics, politics and thoughts, and in China unusual complications have been brought about in her political and social conditions by the activities of the Nationalist Party which has plenty of communistic leaning through the influence of Soviet Russia. The Powers, however, admitting that a nation in the course of a revolution must resort

to irregular measures in carrying out its home and foreign policies, have been looking forward with utmost tolerance to the restoration of order in China. The goodwill and sympathy of the Powers have never been mingled with any selfish motive.

It rests with Japan, as the only powerful state in the Orient, to secure peace in the Far East and, thus, to promote the welfare of mankind. And the peace of the Far East cannot be brought about unless peace and order in China is restored. Japan has spared no efforts to help China in accordance with the letter and spirit of the Washington Treaties and Resolutions as, after all, the territorial propinquity between Japan and China necessitates them to go hand in hand with each other for the sake of their existence and of the peace of the Far East.

Contrary to the expectation of the Powers, however, the goodwill and sympathy expressed by them have, so far, only enhanced the characteristic Chinese mentality of "taking an ell, after getting an inch" in the minds of Chinese people, and not in the least contributed towards the development and unification of the country. The concessions made by the Powers have led to an endless infringement, on the part of China, of the rights and interests of the Powers, and the Chinese regard it as a victory of their revolutionary idea.

Under the circumstances, the Powers would do well to reconsider from a realistic point of view whether the policy hitherto adopted by the Powers towards China still meets the actual demands of the present situation. It is extremely doubtful if the sympathetic attitude which the Powers adopted towards China since the Washington Conference has produced good fruits as expected. One can hardly assert, at the present moment, that China is on the way to unification as an organized state.

In this connection, it would be of interest, therefore, to examine what stipulations of the Treaties and Resolutions of the Washington Conference have been or have not been actually carried into effect.

The Nine-Power Treaty, the Treaty concerning Chinese Customs Tariff, and the Resolutions (those parts thereof which relate to China) of the Washington Conference are, as products of that Conference, closely and inseparably related to one another. Let us see what sort of respect China has been paying to those Treaties and Resolutions since their conclusion and what degree of ability she has shown to uphold their terms.

(a) Art. I, (1), of the Nine-Power Treaty provides that the Contracting Powers other than China shall respect the sovereignty, the independence, and the territorial and administrative integrity of China; and by Art. II the Contracting Powers (including China) have agreed not to enter into any treaty or agreement with any Power which would infringe or impair this principle. It suffices to have a glance at, *inter alia*, the actual state of affairs in Outer Mongolia for one to tell whether China herself has the intention and ability to uphold her own sovereignty and territorial and administrative integrity which the Contracting Powers other than China have agreed to respect.

(b) Art. I, (2), of the same Treaty stipulates that the Contracting Powers other than China shall provide the fullest and most unembarrassed opportunity to China to develop and maintain for herself an effective and stable government. Japan and other Contracting Powers, as above stated, in accordance with this stipulation, have been providing such opportunity to China with patience and sympathy ever since the conclusion of the Treaty. China, on her part, has proved impotent to utilize the excellent opportunity held out to her for these ten years since the Washington Conference. Her internal political situation has gone from bad to worse, and she is still unable to erect an effective and stable government. Her foreign policy has been characterized by disregard of justice and ill-will towards foreign Powers, as is shown by her repudiation of treaties and anti-foreign activities. This also proves that China has no intention or ability to respect the stipulations of the Nine-Power Treaty.

(c) Article V of the same Treaty provides that "throughout the whole of the railways in China, she (China) will not exercise or permit unfair discrimination of any kind." China, however, has been exercising a very wide discrimination on Shantung, Tsingpu, Ping-Han, Peiping-Mukden and other Railways between Chinese and foreign goods (and, in practice, even those produced or manufactured in China with foreign capital or by foreign enterprise are treated as foreign goods), disregarding repeated protests from Japan and other foreign Powers.

(d) The Nine-Power Treaty concerning the Chinese Customs Tariff, the Special Conference on Chinese Customs convened in accordance with the provisions of the Treaty, and the subsequent acquisition by China of tariff autonomy have been already dealt with. It must be pointed out, however, that the abolition of *likin* which was one of the important conditions upon which China's tariff autonomy was recognized has not been carried out throughout China and in some districts, where *likin* was abolished, taxes similar in substance to *likin* are being imposed.

(e) "Resolution regarding a Board of Reference for the Far Eastern Question" provides that the Special Conference on Chinese Customs shall formulate a detailed plan for the constitution of the Board. As has been stated, the Special Conference met an abortive end owing to the disappearance of the Chinese delegates through domestic political disturbances, and the above Resolution has not since been carried out.

(f) As for the Resolution regarding Extraterritoriality in China, China has not only shown no sincerity to carry out the Recommendations contained in the Report of the Extraterritoriality Commission but, in utter disregard of the same Recommendations, proceeded to unilateral abolition of extraterritoriality.

Whenever a Treaty of Commerce and Navigation between China and a foreign Power became due for revision, the Nanking Government declared the same treaty to be null and void, and unilaterally notified the country concerned

that thenceforth the "Provisional Regulations concerning Jurisdiction over Non-extraterritorial Nationals" would be applied to its nationals.

The Nanking Government also made and pressed a request for the abolition of extraterritoriality to foreign Powers since April, 1929. To that the Powers expressed their consent in principle and opened negotiations. China, apparently being not satisfied with such sympathetic attitude of the Powers, went a step further in December, 1929, when the Nanking Government issued a "mandate" stating that from January, 1930, extraterritoriality should be abolished. In February, 1931, the Minister for Foreign Affairs of the Nanking Government even made a threatening declaration that "the Chinese Government and people are fully resolved to exert their maximum efforts to attain this end" and "I sincerely trust that China will not be forced to adopt any measure to obtain her objective other than that of friendly negotiation." It could not be in accord with the object of the Washington Resolution in which China participated that the Nanking Government, paying no attention to the Recommendations of the Extraterritoriality Commission and effecting no improvement in her own judicial system, tried to deny the validity of the existing treaties. China also betrayed the sympathetic attitude of the Powers towards the question by making the threatening declaration that she might adopt a measure other than that of friendly negotiation to obtain her objective.

(g) In the Resolution regarding foreign postal agencies in China (Resolution No. 5), the four Powers agreed to abandon their postal agencies in China on condition that (1) an efficient Chinese postal service was maintained and (2) an assurance was given by the Chinese Government that they contemplated no change in the present postal administration so far as the status of the foreign Co-Director General was concerned.

The Powers have abolished their postal agencies in China in accordance with the stipulations of the said Resolution. China, however, has effected a considerable change in the

functions of the foreign Co-Director General and reduced his position to a nominal one. On the other hand, the Chinese postal service is notorious for its inefficiency. Even at ordinary times, Japanese newspapers are not forwarded to the interior of China. In time of anti-Japanese movement, Japanese mail matters are delayed and put to all kinds of irregularities. The Chinese post offices frequently decline to accept Japanese mail matters, and confiscate or open letters addressed to or despatched by Japanese subjects or even the Japanese Legation and Consulates. They also use postal marks bearing anti-Japanese slogans.

When the Japanese post offices in China were abolished in 1922, China employed ten (10) Japanese (in addition to two that had been employed beforehand) in her postal service for the purpose of "maintaining efficient service," considering the fact that the Japanese residents in China numbered nearly a million and the quantity of their mail matters was enormous. The Nanking Government, however, has since exerted every possible effort to reduce the number of the Japanese employees and, consequently, only six (6) of them remain at present.

Thus the conditions of the abolition of postal agencies in China have not been fulfilled.

(h) Resolution No. 6 regarding Armed Forces in China, while recognizing the armed forces of Powers stationed in China to protect the lives and property of foreigners, declares the Powers' intention to withdraw their armed forces from China as soon as practicable, and places on record China's declaration of her intention and capacity to assure the protection of the lives and property of foreigners in China. It is, however, to be noted that immediately after the Washington Conference, in April, 1923, the Lincheng incident occurred to be followed by many other similar incidents in which many foreign missionaries and other foreigners were kidnapped or killed by bandits and lawless elements; in 1928 the shocking Nanking Incident broke out; and the unlawful attacks made by Chinese troops and bandits upon foreign vessels navigating on the Yangtze River have reached

an amazing number. Thus the actual state of affairs in China has betrayed her own declaration of intention and capacity, and the Powers are compelled to maintain large armed forces in Shanghai and other places in order to protect the lives and property of their nationals.

(i) Resolution No. 9 on the Reduction of Chinese Military Forces, calling attention to the severe drain on the public revenue of China through the maintenance of excessive military forces by military chiefs in various parts of the country, states that the continued maintenance of these forces is mainly responsible for China's unsettled political conditions, and expresses the hope that immediate and effective steps may be taken by the Chinese Government to reduce the same military forces and expenditures. The Chinese Government, who participated in and agreed to this Resolution, have since shown neither the intention nor the capacity to carry it into effect, but are now maintaining military forces larger than those at the time of the Washington Conference, whose enormous expenditures (the military expenses of the central Government, 1930, amounted to some eighty per cent. of the total expenditure; if we add to this the expenses spent by the local militarists for the upkeep of troops as well as the war expenditures of the central and local forces, the total amount would reach a prodigious sum) are causing China to face a grave financial crisis. Consequently her unsettled political condition remains chaotic, her economic development retarded, and her foreign trade deplorably perturbed.

With reference to the "Treaty for the Settlement of Outstanding Questions relative to Shantung" which was concluded at the time of the Washington Conference, the non-fulfilments of the Contract on the part of China have increased, as stated elsewhere.

In short, China has proved absolutely hopeless for setting her own house in order notwithstanding the excellent opportunity she has had for the past ten years since the Washington Conference. The power of the Government has

been so weak that the opposing militarists, communistic bandits, and other lawless elements have been wielding power in their own localities, to the utmost confusion of the peace and order of the country. Such confusion has become aggravated on account of the adoption of the policy of Communist Russia by the Nationalist Party and the Government. As a matter of fact, they have been enforcing so-called "revolutionary policies" by putting into effect so many communistic measures in their own country and by denying existing Treaties and Agreements concluded between China's former Governments and foreign Powers.

It should be pointed out that, under the circumstances, the Nine-Power Treaty, the Customs Treaty, and the Resolutions of the Washington Conference, in which the foreign Powers gave expression to their fundamental attitude towards China, have been utterly disregarded by China, in spite of the faithful observance on the part of the foreign Powers. Now that China has divulged her inability to respect and uphold these Treaties and Resolutions, their original significance towards China has been fundamentally altered.

PART III.

Japan's Rights and Interests in China.

CHAPTER I.

OUTLINE OF JAPAN'S RIGHTS AND INTERESTS IN CHINA.

1. Introductory.

The Treaty of Peace signed on April 17, 1895, ushered in a new era in the relations between Japan and China. This Treaty, together with the Treaty of Commerce and Navigation of 1896 and the Supplementary Treaty of 1903, constitutes the backbone of Japan's rights and interests in China. In particular areas such as Manchuria and Shantung, she acquired additional rights and interests by various treaties and agreements. In addition to these rights acquired directly through treaties and agreements with China, Japan enjoys in China, by virtue of the so-called most favoured nation clause (Art. 25, paragraph 2), the extraterritorial rights and privileges as provided for in Article 40 of the Franco-Chinese Treaty of Commerce of 1858. The following is an outline of the rights and interests which Japan enjoys to-day in China at large: (As regards her special rights and interests in Manchuria and Shantung, these will be dealt with in Parts 4 and 5 of this Report.)

(1) By Articles 20-24 of the Treaty of Commerce and Navigation, jurisdiction over the persons and property of Japanese subjects in China is reserved exclusively to the

Japanese authorities, who shall hear and determine all cases brought against Japanese subjects or property (Consular jurisdiction).

(2) The Japanese enjoy the right of exemption from any taxes or imposts in China except for those expressly agreed to in the treaties and agreements.

(3) The Japanese have the right to reside and carry on trade, industries and manufactures, or pursue any other lawful avocations in all the ports, towns and cities of China opened to foreign residence and trade. They are allowed within the localities at those places set apart for the use of foreigners to rent or lease land, rent or purchase houses and thus establish a settlement (Art. 4). They are at liberty to travel for pleasure or for the purpose of trade to all parts of the interior of China under passports issued by Japanese Consuls and countersigned by the local authorities (Art. 6.)

(4) Japanese vessels are entitled to engage in coasting trade and inland navigation of China (Art. 6, Treaty of Shimonoseki). The Japanese also enjoy the right to organize a partnership or company conjointly with the Chinese (Art. 4, Supplementary Treaty).

(5) Japan established her own settlements at Hangchow in 1897, at Soochow in 1898, at Shasi, Hankow and Tientsin in 1899, at Amoy and Foochow in 1900, and at Chungking in 1902. She later became a director-nation of the International Settlements of Shanghai and Kulangsu.

(6) There are rights and interests not directly resulting from any treaty or agreement. These have been acquired by the Japanese from the Chinese authorities by individual contracts. The following are representative of this type:

(a) Mitsui and Co., through a contract agreement with the Department of the Navy at Peking, in 1918, financed and built a wireless station at Shuangchiao. The capital of £536,267 furnished by the Company was to be paid back in the course of 30 years. Pending the payment in full of all outstanding and unpaid instalments, the Chinese Government

pledged itself not to permit any other person or firm to erect any wireless station in China for the purpose of communicating with any foreign country.

(b) Japanese business and banking interests entered into various loan agreements with the central and local authorities. These loans cover an extensive field of economic activities such as railway construction, improvement and extension of telegraph and telephone service, repair work of canal, mining and forestry enterprise, etc.

(c) There are various Sino-Japanese joint enterprises. Most important of all are the Hanyehping Mining Corporation and Lutai & Co. (See Parts 5 and 6.)

(d) Japanese interests are engaged in mining and other enterprises upon payment of special license fees or other charges.

2. China's Attitude Towards Japan's Rights and Interests.

The attitude of denying international engagements China has concluded with other countries, styling them to be "unequal treaties," owes its inception to the ideas nurtured by the revolutionary thought. The Chinese Government, during its habitation of Peking, denied the validity of the Sino-Japanese Treaty of 1915 relating to Manchuria and Eastern Inner Mongolia. On another occasion it declared, contrary to an obvious stipulation, that the Treaty of Commerce with Belgium, which had reached its time for revision, was invalid. This policy of non-recognition of the so-called unequal treaties China learned from Soviet Russia, it being strongly stressed by her Soviet advisers. This attitude has become more pronounced with the emergence into power of the National Government. It has often made pledges to the people that it would abrogate the so-called unequal treaties within a specified period, thereby inciting to greater intensity the anti-foreign sentiment of the masses. These so-called unequal treaties provide for extraterritoriality, concessions and settlements, exemption from taxes, coasting trade and inland navigation, leased areas and railway zone.

Japan, along with other Powers, has long tried to meet the legitimate aspirations of China. In particular, as regards extraterritoriality, Japan agreed, in Article 11 of the Treaty of Commerce and Navigation of 1903, to abandon her rights in this regard as soon as China's judicial system was completed. Since then, the Japanese Government has on various occasions made public her good intentions to carry out this pledge. In 1930, Japan, side by side with other Powers, recognized Customs autonomy for China.

In spite of this agreeable attitude of Japan, China attempted to abrogate the Sino-Japanese Commercial Treaty of 1896 and to treat Japan as a non-treaty Power on the ground that the treaty had reached its time for revision. (See Part 1.) Although the dispute was amicably settled in July, the National Government still regards Japan as a non-treaty nation. To illustrate, China purposely omitted Japan when she requested Great Britain, the United States, France, Norway, Holland and Brazil to revise their treaties with her. When the Convention of 1926, which reorganized the Shanghai Mixed Court as the Special Provisional District Court of Shanghai, came up for revision in 1929, China refused Japan's participation in the discussions. Japan was ignored in spite of the fact that she was one of the signatories to the Convention and possessed substantial interests in the International Settlement of Shanghai.

Chinese authorities have arrested and imprisoned Japanese nationals, and Chinese courts have tried and punished Koreans and Formosans. Recently there is the example where they subjected a Japanese to flogging, others where summonses were issued to Japanese companies or individuals to appear before Chinese courts as defendants. Japanese are also being forced to pay illegal taxes. Their fishing and mining enterprises are being harassed on all sides. The Mitsui's Shuangchiao wireless contract has been entirely disregarded. The Chinese authorities have entirely ignored the monopolistic nature of this contract by constructing wireless stations at Chenju and other points for communication with other countries. The delinquency in the payment

of the principals as well as the interests on the loans for railway, telegraph and other enterprises, the violation of the Japanese right to audit accounts, Chinese obstruction, prosecution of and threat to Sino-Japanese joint enterprises and all, have tested Japanese patience to the limit. They will be explained in Chapter II.

CHAPTER II.

VIOLATIONS OF JAPAN'S RIGHTS AND INTERESTS.

1. Violation of Consular Jurisdiction and unfair judgments of the Chinese Courts.

The Chinese Government declared unilaterally in July, 1928, that they would exercise jurisdiction over nationals whose extraterritorial treaties had expired. Since then the Chinese authorities have openly requested the nationals concerned to abide by Chinese laws, such as police and tax laws, ordinances and regulations. And at the same time Chinese courts have gone so far as to accept the filing of cases involving Japanese as defendants and to try and punish Korean and Formosan offenders, to issue summons to Japanese nationals and to flog them secretly in execution of punishment. In the cases where Chinese were defendants and Japanese plaintiffs, Chinese judges have heretofore not infrequently purposely rendered unfavourable and unfair decisions. The following are only a few concrete cases, illustrative of the facts above referred to.

(1) Trial of a Korean at the Peiping District Court. On October 17, 1929, Li Tai-lung, a Korean, murdered another Korean, on the outskirts of Peiping and was arrested by Chinese police. The Japanese Legation in Peiping requested the delivery of Li on the ground that the offender should be tried by a Japanese Consular Court. The District Court refused to comply with the request under the pretext that Li was a naturalized Chinese or that in any case the

identification was not satisfactory. Although counter proofs were several times shown by the Japanese authorities, the Peiping District Court, on November 23, finally sentenced Li to five years and six months' hard labour.

(2) Trial of Formosans at the Anking District Court. Wang Chao-tai and Lin Chin-lai, Formosans, who committed a theft of public documents while they were in the service of the Japanese Post Office and the Bank of Formosa respectively, came to China and were arrested by the Chinese authorities of Anking in March, 1928, under the suspicion of being communists. Whereupon, the Japanese Consul at Wuhu sought their delivery on the ground that they were Formosans and against whom arrest warrants had been issued by the Japanese Court. However, on the pretext of insufficient identification, the Chinese authorities refused to meet the demand. Subsequently, domiciliary registers, photographs and other ancillary data of an authentic character were presented by the Japanese Consul to prove the infallibility of identification. But the court turned a deaf ear to the Japanese requests.

(3) The case of the flogging of two Japanese in Tsinan. On July 28, 1931, the Public Safety Bureau of Tsinan arrested Yoshimi Mito and another Japanese, under the suspicion of having dealt with drugs under the ban. Knowing that they were of Japanese nationality, the Bureau brought them into the Provincial Military Court where, on the 29th, the sentence of flogging was passed and promptly executed in the presence of Governor Han. The blows struck at the Japanese inflicted wounds on the hips.

(4) Summons issued by Wuhsien District Court to a Japanese merchant in Shanghai. Several Chinese who were dealing in the imitation article of the "Wild Boar Brand" Mosquito Incense, manufactured by the Azumi Co., a Japanese concern in Osaka, were sued on September 27, 1930, by Mitsutaro Komuku, the sole agent of the article, at the Wuhsien District Court, who sought damage sustained by him due to the above-noted infringement of the trademark. By accepting Chinese overtures for a private settlement to the

effect that they would insert their public apology in the press and that they would no longer sell the imitation goods with the counterfeit trademark, the Japanese plaintiff withdrew his case on November 1. Not only did the Chinese merchants fail to comply with their promises but they instituted a counter claim in the same court on the ground that the said Komuku interfered with their business. The Wuh sien District Court took up the case and issued a summons to Komuku requesting him to appear on October 8 at the criminal section of the court.

(5) Summons issued to the Nippon Yusen Kaisha in connection with the "Tatsuta Maru" by the Special District Court of Shanghai. On the allegation that the "Tatsuta Maru" of the N.Y.K. collided with and sank the "Shih-Kang," a Chinese ship, the Chinese concerned filed a petition with the Special District Court of Shanghai against the N.Y.K. in March, 1931. Whereupon the said Court issued a summons to the N.Y.K. The complainants have since been twice heard in the absence of the Company's counsel, who refused to appear on the ground that the case should be tried in the Japanese Consular Court according to extraterritorial practice.

(6) The denial of the juridical personality of Mitsui & Co. by the Special District Court of Shanghai. In May, 1930, Mitsui & Co., of Shanghai, brought a civil lawsuit against several Chinese compradores in their employ in the Special District Court of Shanghai. The said Court, however, gave a ruling at the first hearing, that no action could be entered by Mitsui & Co. in a Chinese Court, unless the company was registered as a juridical person in accordance with the specific provisions of the Chinese Civil Code, etc. Thus Mitsui & Co. was forced to take action through its manager, Mr. K. Fukushima.

(7) Unfair judgment of the Tsinan District and High Courts. The case of Oriental Development Co., Japanese, v. Tsinan Telephone Company, Chinese. The Oriental Development Co. filed a petition with the District Court of

Tsinan in January, 1930, against the Tsinan Telephone Company and its director, Ma Han-ho, for the payment of the loan which had for years been in arrears. On October 3, judgment was given in favour of the plaintiff and the provisional execution of that judgment was granted. However, when the plaintiff was preparing to proceed in accordance with this judgment, i.e., the taking over of the property belonging to the defendants, the local Kuomintang party suddenly intervened and launched an attack on the Court alleging that it had accorded unreasonable protection to the Japanese. The city government and vernacular papers, too, having brought pressure to bear on the court, caused it to suspend the execution of the judgment without any just cause. The case was then brought to the Tsinan High Court, which, on November 15, rescinded the judgment of the District Court and, at the same time, declared that the claims of the Japanese company should be made against the former director of the Telephone Company in his private capacity and that his properties in Tsinan were not liable to confiscation as they had already been confiscated by the government as "properties belonging to a rebel."

2. Unwarranted use of police power against Japanese by Chinese civil and military authorities.

Japanese nationals must not be subjected to Chinese police jurisdiction as they enjoy extraterritorial rights in China. The premises of Japanese are inviolable and they cannot be searched by Chinese police. Japanese ships, too, enjoy a similar privilege in regard to police jurisdiction. However, Chinese civil and military authorities have hitherto often arrested Japanese nationals, searched their premises, and occasionally have gone so far as to seize articles in possession of Japanese or found in their premises. This has manifestly been the case with Koreans and Formosans. (Cases of Koreans in Manchuria are specially dealt with in Part 4). Japanese ships have been illegally detained and fired upon by Chinese authorities and forces. With cases so numerous, it is possible only to give representative examples hereunder.

(1) Illegal search. The case of Fu Tai & Co. in Foochow.

According to an understanding between the Japanese Consul-General at Foochow and the Provincial Government of Fukien on May 21, 1930, opium smuggling Formosans should be arrested by the Japanese, and not by the Chinese police who should only give necessary assistance when required by the Japanese police. The Chinese police in Foochow, disregarding the understanding, searched, on February 3, 1931, the building of Futai & Co., a Formosan firm, without giving any notice to the Japanese authorities and confiscated the opium which was found in the premises.

(2) Unwarranted arrest of a Japanese by Chinese police in Tientsin.

On May 13, 1931, in the Japanese Settlement at Tientsin, a Chinese police detective arrested a Japanese subject named Tsuru Okazaki when he was leaving his house in a rickshaw, and took him to the Chinese Public Safety Bureau.

(3) Illegal detention of Japanese ships.

(a) On January 2, 1927, the Cho-yo Maru of the Nisshin Kisen Kaisha was illegally detained and searched at Woosung by several police officers bearing the title of "supervisors."

(b) On April 16, 1927, the Oki Maru No. 2 of the Oki Kisen Kaisha was detained by the Haichow military authorities as she was leaving Haichow for Tsingtao, and on March 18, the Fukuyama Maru No. 4 was also detained when she was leaving the port for Tsingtao. They were detained and occupied by soldiers for more than ten days and after the protest of the Japanese Consul to the local authorities and the Central Government they were set free on May 3.

(c) On July 3, 1927, the Giyo Maru of the N.K.K. was ordered to stop near Chungking by some twenty soldiers under the command of Wang Ling-chi of the 3rd Division of the 21st Army of the Kuominchun. On refusing to do so, they were fired on, sustaining damage to a tank and fire-extinguisher.

(d) On September 1, 1928, the Kaiko Maru of Takahashi & Co. of Osaka was ordered to stop near Tungchow Island, Shantung, by military troops stationed there, and when she refused was fired upon with rifles and guns, and the radio wire and a toilet room were damaged.

(e) From June to August in 1926, the National Revolutionary Army (army of Tang Sheng-chi) despatched armed soldiers to almost all Japanese ships that visited Changsha and searched them.

(f) On January 30, 1926, the Eiko Maru of the Kinkai Mail Steamship Co., was searched by the National Army at Tangku under the suspicion of having their enemies on board.

(g) On April 15, 1928, the Tozan Maru of the Nisshin Kisen Kaisha, the Saigu Maru of the Dairen Kisen Kaisha and the Choan Maru of the Osaka Shosen Kaisha were detained at Tientsin by Kuomintang forces and searched under the suspicion of having General Li Ching-lin on board.

(h) On December 27, 1931, the soldiers of No. 15 Brigade of the Kuomintang Army detained and searched a Japanese ship, the Han-yan Maru.

3. Damages inflicted upon Japanese and their property by plundering activities of Chinese troops and mobs.

It is not unusual, even in ordinary times, for Chinese troops to abuse their powers and to perpetrate plunderous acts. Particularly is it true at times of civil strife when their organized control, slack as it always is, changes overnight and they become armed bandits, plundering populated districts. Foreign residents have often been the victims of such armed bandits. Plunderers and atrocity perpetrators next in cruelty to the troops who have lost their organized leadership are mobs and rioters. Troops and mobs frequently co-operate in their destructive deeds (such as in the Nanking and Hankow incidents). When such outrages are perpetrated by an organized force the regular Chinese authorities

frequently manifest their utter lack of power to subdue them. This state of affairs is due to the negligence on the part of the Chinese Government and to its careless sense of duty in regard to the protection of foreign lives and property. The following are cases involving Japanese lives and properties perpetrated since 1927 by disorganized troops and mobs.

(1) The Nanking Incident.

On March 24, 1927, when the Nationalist Army captured Nanking, undisciplined Chinese soldiers and ruffians attacked and plundered Japanese shops and residences and assaulted many Japanese residents, including women and children. Most conspicuous was the fact that they manhandled the Japanese Consul and plundered the Consulate. The articles belonging to the Consulate were demolished and plundered to the window panes and door locks. A sailor of the Japanese Imperial Navy who happened to be there was shot to death by a stray bullet. The damage to property amounted to roughly 2,310,000 yen.

(2) The Hankow Incident.

When on April 3, 1928, the Nationalist Army attacked and captured the Wu-Han district, disorderly soldiers ransacked almost all the Japanese firms and residences in and out of the Concession. The majority of the Japanese residents were temporarily deprived of their abodes. The total number of the Japanese families afflicted by this outrage was 159, and the damage to property amounted to 920,000 yen. A great number of the Japanese residents in the district, being for the most part small merchants, lost their livelihood.

(3) The Tsinan Incident.

In 1928, General Chiang Kai-shek, in his expedition to North China, launched an offensive against the Mukden forces in Tsinan area, when several Chinese soldiers raided and looted Japanese houses close by the International Mart (forming a neutral zone between the Chinese and Japanese districts). Out of this, on May 5, arose

a skirmish between Chinese troops and small units of Japanese forces on patrol in Japanese quarters. Chinese troops took advantage of this melee, inflicting humiliating violences on Japanese found anywhere within the walled city, plundering their houses in a wholesale manner. Fifteen Japanese, male and female, were ruthlessly murdered and twenty odd Japanese sustained injuries besides. The Chinese methods of manslaughter were staggering and beyond description. Some Japanese were burnt while others were stripped of their skin, or even had their ears and noses cut off. And the shameful assaults on women presented an unbearable spectacle.

(4) The Changsha Incident.

On July 26, 1930, when Chinese communists occupied Changsha, they secretly dispatched the so-called plain-clothes corps (Pienyitui) to various sections of the city, instigating them to acts of incendiarism. The entire city was at once thrown into confusion. No sooner had the government forces retreated from the port than these communists took possession of the whole city of Changsha and looted it mercilessly. As a consequence, the Japanese Consulate was burnt and Japanese houses were all destroyed and ransacked in a wholesale manner.

(5) Disturbances along the Tsingtao-Tsinanfu Railway,

During July and August, 1930, a civil war broke out between the Shantung and Nanking cliques in Shantung Province. Along the Shantung Railway and especially at Weihsien, Changtien and Tsingchow, disorderly Chinese soldiers of both sides and hooligans raided Japanese houses. Foodstuffs and utensils were taken and money was extorted.

(6) Forceful occupation of a Japanese business house by Chinese troops in Chengchow.

The soldiers of the Second Army Corps, under command of General Feng Yu-hsiang, more than a dozen times forcibly occupied the branch office of the Nippon Menka & Co. at Chengchow in 1927. The same Japanese concern on each

occasion appealed in vain directly to the local authorities. The troops, during their occupation of the house, consumed coal and other articles freely and made use of the furniture and utensils without any indemnification. The damage was estimated at several thousand taels.

(7) Attacks on members of Kokusui-Kai in Tsingtao.

On August 18, 1931, two Chinese stood wilfully in the way of a Japanese who was carrying a quantity of ice from a shop owned by the Kokusui-Kai, 153 Kantai Road, Tsingtao, and upon being reproached, the Chinese struck the Japanese on the head with a stone. A crowd of Chinese gathered at the sound of a whistle and they likewise attacked other members of Kokusui-Kai and wounded some of them. The disturbance was quelled by a squad of Chinese police and the Japanese fire-brigade who hastened to the scene. But while being dispersed, the Chinese mob threw stones at Japanese houses and assaulted Japanese who happened to be passing by. As a result, 28 Japanese were wounded and 30 Japanese houses were damaged.

(8) Picketing of Japanese factories in Shantung.

In August, 1929, when there was a boycott incited by the Tsingtao Tangpu, six Japanese spinning mills, one filature and two match factories were obliged to close down simultaneously. Uncontrollable factory workers and others organized pickets and moved about the factories, obstructing the transportation of manufactured goods and coal, at the same time interfering with the delivery of provisions, newspapers and mail, thereby economically blockading those who dwelt within the factory premises. Mayor Wu of Tsingtao was unable to do anything to control the situation effectively.

4. Damages inflicted upon Japanese and their property by unwarranted acts of Chinese policemen and soldiers.

Among Chinese policemen and soldiers there are not a few elements lacking both in discipline and in other human qualifications. Needless to dilate that they are occasionally

oblivious of their elementary duty of safeguarding the lives and property of the people, often abusing their authority and harassing the innocent. The case of John Thorburn, British youth, who suddenly disappeared from Shanghai in June this year (1931) and was later found murdered by Chinese soldiers in Soochow, is still fresh in our memories. They unlawfully hold people in custody, rob them of money or other possessions and administer bodily violence. Not infrequently these unlawful elements have forced free passage and other requisitions on steamers. Japanese nationals are everywhere suffering damages and outrages of the sort. Of late, these marauders appear to commit their illegal acts under the guise of "Patriots" motivated by anti-Japanese ideas and sentiments. This can well be illustrated by the deliberate leniency, or rather the actual encouragement exhibited by these Chinese when some of their own people have perpetrated violences on Japanese in the course of the present anti-Japanese agitation and boycott. (See Part 7.) Such acts are due to the delinquencies on the part of the Chinese Government in administering its system, if it has one, for the protection of foreigners. Grave are the responsibilities of the Chinese Government, indeed. Below are given the summaries of a few typical cases. (Instances cannot be considered exhaustive; only typical cases are cited. If recorded carefully, the number may exceed 1,000).

(1) Capture of Japanese nationals by Chinese Military.

(a) The capture of Japanese by Chinese soldiers at Wuchow. On January 29, 1932, Yoshitaro Nakagawa, a member of the Hongkong Branch of the Mitsubishi Shoji Kaisha, while travelling on a tour of inspection of manganese mines in Canton Province, was captured by Chinese bandits who had been transformed into regular soldiers at a point 25 miles above Wuchow along the river. These soldiers demanded \$50,000 as ransom. Fortunately he was able to get away and returned safely on February 5 without paying any ransom.

(b) The capture of Japanese by Chinese soldiers at Foochow. Kiyoji Arakawa, a Japanese dealer in tools and

machinery of Foochow, was travelling on October 13 in Shuikow region, when Chen Kuo-hua, a chief of the band of soldiers under Brig.-Gen. Chien Yu-kuang (formerly a chieftain of bandits, it is presumed) captured him, demanding a ransom. The Japanese Consul-General at Foochow vainly demanded of the Foochow authorities that they secure the return of the Japanese captive. Thereupon, a Japanese police officer proceeded to the spot, risking his own life. He paid the ransom of \$7,000 and rescued Arakawa. However, owing to fatigue and exhaustion occasioned by the ill-treatment the victim had received at the hands of the marauders, he died soon after arrival at Foochow.

(2) Acts of violence or plunder by Chinese soldiery.

On June 15, 1930, about 70 Japanese students from Fukuoka Commercial School, Japan, (including teachers and parents) were on a tour at Soochow where they hired donkeys and drivers for getting about more readily. It happened that several Chinese soldiers, sick or wounded, requested the use of the donkeys. But the drivers did not comply with their request. Whereupon the soldiers were so offended that they struck the drivers and outrageously inflicted violence on several unoffending students, pilfering their possessions. They burst into the inn occupied by these students, looting their possessions and money worth 430 yen, and wounding one of them very seriously.

(3) Acts of burglary committed by Chinese soldiers in the Tientsin area.

(a) In July and August of 1920, consignments belonging to the Toa Tobacco Company and the Jintan Co. were sacked by Chinese soldiers in Tung Hsien. The damages sustained were respectively as follows: the Toa Tobacco Co., Mex. \$10,481.13; the Jintan Co., Mex. \$156.00.

(b) In November, 1920, a consignment belonging to the Toa Tobacco Co. was plundered by Chinese soldiers in the District of Ho-chien, Hopei Province. The estimated loss amounted to Mex. \$1,108.50.

(c) On February 17, 1927, Hatsuma Sasada, a Japanese, was arrested and battered by the soldiers of the First National Army in Yungpingfu, Hopei Province. He was robbed of all his possessions and sustained wounds which required two months to heal.

(d) In May, 1926, Katsuyoshi Fukuda, a Japanese, was murdered by Chinese in Changli Hsien, Hopei Province. All his possessions were plundered.

(e) On February 15, 1927, Kenzo Tanaka was robbed of his money by Chinese soldiers in Shanhaikwan, Hopei Province. The amount lost was \$390 in Fengtien Piao and Y. 40.

(f) On April 17, 1927, Shigeyoshi Nakasono, a Japanese, was travelling in a train on the Pei-Ning Railway line. Mukden gendarmes confiscated his revolver and cash.

(g) On July 12, 1927, Moriyama and 4 other Japanese were arrested by Chinese soldiers on the ground that they were in possession of revolvers. The losses were Mex. \$140, Y.12, 3 leather bags, 3 wrist watches, 1 gold ring and two purses.

(h) On September 14, 1927, Li, a Korean, and another member of his nationality were robbed of Mex. \$8,002 and Y.1,100 by Chinese soldiers in Shikiao-chuan, Shansi Province.

(i) On November 4, 1927, Kenji Minota, a Japanese, was robbed of Mex. \$1,481 by more than ten Chinese soldiers in Kuye, Hopei Province.

(j) On November 5, 1927, Kaheyi Kiyama, a Japanese, was flogged by over ten Chinese soldiers in Chao-koo Village, Hopei Province. His second rib was broken, taking one month and a half to heal.

(k) On December 2, 1927, Minoru Okamoto, a Japanese, was illegally held in custody by Chinese soldiers in Hsi Chia-Chuang, Hopei Province.

(4) Free rides by Chinese soldiers. (Illegal Requisitions.)

(a) On April 2, 1929, two steam launches of the Tai Sheng Chang Steamship Co. were requisitioned by Chinese soldiers under the command of Brig.-Gen. Li Yun-chieh in Changteh.

(b) On November 23, 1920, two Japanese vessels "Take" Maru and "Ume" Maru of the Nissin Kisen Kaisha while on the way from Hankow to I-Yang, Hunan Province, were requisitioned by the 47th Brigade of the 16th Army Division in Shatou (30 Chinese li east of I-Yang).

(c) On March 5, 1931, the s.s. "Chui-Yun" Maru of the Tai Sheng Chang Steamship Co. was forced by the 19th Army Division to tow 7 military transports near Changte.

(d) On June 16, 1930, the Bandit Suppression Headquarters of Hsiang-hsi (Hunan) chartered the s.s. "Tung Yuan" Maru of the Tai Sheng Chang Steamship Co. for the purpose of transporting troops from Changte to Changsha. For two days, i.e., 16th and 17th, the military used the said vessel without paying any charter fees.

(e) On June 26, 1930, when the s.s. "Yuan Kiang" Maru was leaving Changsha for Hankow, 90 odd soldiers of the 15th Army Division forced free transportation for themselves.

(f) On October 13, 1930, 15 Chinese soldiers of the 4th Route Army stationed in Yochow and Chenglingchi, took passage on the s.s. "Wan-Kiang" Maru as regular passengers for Changsha but paid no fares.

5. Damages inflicted on Japanese and their property by Chinese pirates.

The pirates frequenting Southern and Central China and the lower streams of the Yangtze River take advantage of the inability of the Chinese authorities to suppress them by attacking ships without any regard as to whether they are Chinese or foreign. They inflict heaviest damage in the neighbourhood of Kwangtung Province. Although their damaging activities are not confined to Japanese vessels

alone, the threat upon Japanese life and property from this source is not small. Chinese authorities have not taken any effective measures to suppress the pirates. The present situation amounts to this, that the protection of vessels must be managed by the vessels themselves. This is a striking commentary on the sad neglect of duty of the National Government. The following are a few recent examples of damage inflicted by pirates.

(1) The s.s. "Hai-Tung" Maru belonging to the Shanghai Haitung Company, leaving Shanghai in order to carry salt from Haichow, arrived at the coast on February 9, 1927, about 4.00 p.m. While waiting for the tide to enter the river, a band of fifty pirates bearing revolvers and rifles accompanied by a pilot boarded the vessel from a junk and plundered all the valuables it carried. Subsequently the pirates, by threatening the captain, scurried around the neighbourhood and on February 10, attacked the s.s. "Zuiho" Maru and on the 11th, the s.s. "Hirao" Maru (though unsuccessfully). On the 12th, a Japanese destroyer, the "Tsubaki," discovered the ship and ordered her to stop. No attention was paid to this order; in fact, it was resisted by rifle fire. When darkness fell, the marauders tied up all the members of the crew, including the captain, and escaped to the shore in three lifeboats.

(2) The s.s. "Kinko" Maru belonging to the Shiozaki Steamship Company ran aground on rocks near the Hai-tan Island, soon after to be attacked and plundered by a pirate fleet of 100 ships (manned by 1,000 men). A Japanese warship, the "Tanikaze" from Mako (Taiwan), hurried to the scene, rescued the crew and drove away the pirates.

(3) On December 22, 1929, the s.s. "Ryujin" Maru was aground on a sand-bar about a mile and a half below the Whampao Harbour in Kwangtung Province and through guarded by 6 Chinese policemen, was attacked and plundered by 20 pirates.

(4) In 1926, the s.s. "Delhi" Maru left Swatow for Hongkong. On the way, 12 or 13 pirates who had boarded

the ship as ordinary deck passengers plundered her of many valuables, and kidnapped 4 passengers including Ko Hi-nan, a Formosan, finally compelling the ship to steer for Sanchow.

(5) On June 4, 1930, the "Kito" Maru, a motor boat belonging to a Formosan was plundered by 8 pirates who boarded the ship disguised as pilots at a point about 80 miles south of Swatow, and was compelled to steer for Bias Bay. On the way, locating the approach of a British war vessel, the pirates went ashore and took with them the Japanese captain. The same steamer was again attacked on August 18 by two pirate ships near an island 45 miles north of Swatow. At that time the ship was compelled to tow the pirate ships about until August 21.

(6) The "Banyo" Maru, a small steamer owned by Nao-kichi Akita, was chartered by a certain Chinese company. While engaging in freight and passenger traffic between the Taku River and Tongku on July 13, 1930, she was attacked by a band of 13 bandits. One of the passengers was killed and the valuables of the ship, both of the crew and passengers, were plundered. Subsequently the bandits forced the captain to disembark all passengers and to utilize his boat to pursue and prey on numerous junks until at last she was rescued from this piratical work by H.M.S. "Tsubaki" (destroyer) on July 22.

(7) On August 11, 1930, the "Kaisei" Maru No. 3 belonging to Akimatsu Moriguchi, encountered a gale at a point 15 miles south of Swatow. While she was seeking refuge, 12 pirates drew up alongside of her in a sampan and plundered the ship and fled by destroying her important machinery.

6. Unlawful attack upon Japanese vessels on the Yangtze River.

The Yangtze River was opened to Japanese merchantmen by the Treaty of Shimonoseki of 1895. There are more than 60,000 tons of Japanese vessels engaged in passenger

and freight traffic on the river, along with British and American vessels. Chinese authorities are not only duty bound by International Law to sufficiently protect foreign vessels, but since the Japanese vessels on the Yangtze are engaged in the transportation of Chinese people, products and necessities, it is only just that they protect and not impede peaceful Japanese craft. However, from early days, pirates or bandits have made their appearance along the Yangtze, particularly off Woosung Port and above and below Hankow, i.e., between Changsha and Kiukiang. They have often inflicted damage to plying vessels, compelling the Powers concerned to safeguard their own merchantmen by means of their own naval forces. Since 1926, when the Wu-Han war was fought, the political situation in the Yangtze basin became precarious. As a result, foreign vessels, particularly the Japanese, have been subjected to the illegal rifle fire of bandits, communists and disorganized soldiers in various ports along the Yangtze. Fortunately the losses or damage affecting human life have been relatively small, as the vessels have taken special care to protect themselves. Nevertheless, the losses resulting from this special vigilance or from enforced anchorages have been tremendous.

(1) Attack by bandits or pirates.

The following are the cases of bandit attacks upon Japanese vessels since 1926:

(a) The s.s. "Chun Chan" Maru and the s.s. "Tung Hsiang" Maru of the Tai Sheng Chang Steamship Co. in the course of their Changsha-Changte run were attacked, on December 12, 1927, by a party of 50 bandits in the neighbourhood of Nanchow, Nanhu, and the passengers were robbed of their valuables. One of them was killed and two were injured. Seven Chinese soldiers who were aboard the ship for purpose of protection were robbed of their weapons.

(b) On January 28, 1928, the above-mentioned two ships were attacked again in the neighbourhood of Peimatse, by a party of several tens of what were known as the bandit soldiers of the 44th Army Corps. One of the passengers was kidnapped.

(c) On January 29, 1927, the "Hangchow" Maru and "Tungli" Maru, small steamers belonging to the Tai Sheng Chang Steamship Co., were attacked while crossing the Tungting Lake and their passengers and crews were robbed of their valuables. The "Changte" Maru, a towing vessel belonging to the same company, and a train of 4 junks were detained by bandits.

(d) On February 2, 1928, the "Mei" Maru, freight-towing vessel, was attacked by more than 300 of the defeated soldiers of the 44th Army Corps in the Chin-chi Bay at the lower stream of the Hsing River and members of the crew were robbed of their possessions including valuables and clothing. The Chinese pilot was wounded at the time.

(e) On June 28, 1930, a sailing boat belonging to the Sino-Japanese Oil Refinery was captured on the Yangtze River near Hankow with all of the cotton seed-oil she was conveying by a few pirates, who approached the vessel in midstream in a small boat.

(2) Unlawful firing by Chinese soldiers or bandits on Japanese merchant-ships.

Since 1926, unlawful firing registered a sudden increase. According to the report made by the Nissin Kisen Kaisha, between January, 1930 and August, 1931, the number of attacks totals 130 as indicated in the following table. The firing was not only perpetrated by rifles but also by cannon. Although it is not mentioned in the table, there were several cases where shots were fired at Japanese war-vessels.

**Cases of unlawful firing by Chinese soldiers or bandits
on Japanese merchant-ships navigating
on the Yangtze River.**

I. Shanghai-Hankow Line

S.S.	Date	Place
Yuehyang Maru	May 22, 1930, 5 a.m.	Below Kin-chow.
Shuiyang "	June 7, 1930, 8.05 a.m.	Below Kiukiang.
Nanyang "	June 14, 1930, 0.40 a.m.	
Fengyang "	June 14, 1930, 3 a.m.	Whuang-shi Port.

Wuling	"	Aug. 13, 1930.	Above Wuhu.
Tachi	"	Sept. 4, 1930, 3 p.m.	Signal Buoy, Harbock Rock.
Tafu	"	Sept. 8, 1930, 10 p.m.	Below Kiukiang.
Wuling	"	Sept. 8, 1930, 11.40 a.m.	Kin-chun Cheng.
Nanyang	"	Sept. 9, 1930, 4.15 p.m.	Ella Rock Bay (one shot hit outer board of middle deck, leaving a hole 1 inch in depth and 1 inch in diameter).
Tachen	"	Sept. 10, 1930, 2.10 a.m.	Ella Rock Bay.
Tachi	"	Sept. 14, 1930, 5.15 a.m.	Kin-chow.
Tachi	"	Sept. 21, 1930, 1 p.m.	Pan-pien Shang.
Iyang	"	Sept. 26, 1930, 4.50 p.m.	Ella Rock.
Tangyang	"	Oct. 8, 1930, 5.30 p.m.	Near Kinchow.
Loyang	"	Oct. 11, 1930, 10 p.m.	Ella Rock.
Tali	"	Oct. 18, 1930, 3 p.m.	Peng-tse.
Tachi	"	Nov. 2, 1930, 6 a.m.	Ella Rock.
Wuling	"	Nov. 2, 1930, 5 a.m.	Huang-sang-kow.
Nanyang	"	Nov. 8, 1930, 10.30 p.m.	Harbock Rock. (Bullets hit starboard bridge).
Tali	"	Nov. 9, 1930, 11.30 p.m.	Ella Rock.
Tachen	"	Nov. 15, 1930, 11 p.m.	Ella Rock.
Fengyang	"	Nov. 16, 1930.	Huang-sang-kow.
Iyang	"	Nov. 27, 1930, 9 p.m.	Kin-chow.
Wuling	"	Dec. 2, 1930, 0.30 p.m.	Ella Rock.
Jangyang	"	Dec. 6, 1930, 5.25 p.m.	Ella Rock.
Tachen	"	Dec. 7, 1930, 9.15 p.m.	Huang-sang-kow.
"	"	Dec. 11, 1930.	Kinchow.
Nanyang	"	Dec. 10, 1930, 10.45 p.m.	Ella Rock.
Tali	"	Mar. 12, 1931, 1 a.m.	Wuhsueh.
Tachen	"	July 2, 1931, 7.50 p.m.	Yenfenhsiang, 7 miles below Anching.

II. Middle Yangtse and Hunan Line.

S.S.		Date	Place
Hsinyang	Maru	Jan. 1, 1930, 6.15 a.m.	Yuchow. (3 shots hit passenger room).
Hangchiang	"	Jan. 25, 1930, 8.30 p.m.	Near Changsha.
Taheng	"	Jan. 24, 1930, 11 a.m.	Upper Chih - Kiang River.
Wuling	"	Jan. 26, 1930, 4.10 p.m.	24th Buoy (left side). (One Chinese passenger was wounded, 15 shots hitting the steamer).

Hsinyang	"	Jan. 26, 1930, 4.10 p.m.	24th Buoy.
"	"	Mar. 8, 1930, 7.50 a.m.	Upper Hsia-chueh.
Tangyang	"	May 21, 1930.	Pashen - chow above Yuchow.
"	"	June 21, 1930, 1.29 p.m.	Hsia-chueh.
Tachi	"	July 7, 1930, 3.30 p.m.	Above Sha-shih.
"	"	July 9, 1930, 11 a.m.	Below Sha-shih.
Hangchiang	"	July 3, 1930, 4.45 p.m.	Yuyang.
Hsinyang	"	July 2, 1930, 2.15 p.m.	Below Changmataw and Chungling reef.
Hsiangchiang	"	July 3, 1930, 5 p.m.	Yuchow and Chungling Reef.
Hsinyang	"	July 7, 1930, 4.45 a.m.	Below Linhsiang Reef.
"	"	July 13, 1930, 2.10 a.m.	Above Yuchow.
Tali	"	July 17, 1930, 7.30 a.m.	Hsia-chueh.
Tachi	"	July 24, 1930, 6.50 p.m.	Opposite side of Riu-shui-Kow.
Tangyang	"	Sept. 6, 1930, 6.12 a.m.	Hsia-chueh.
Wuling	"	Sept. 11, 1930, 7.40 p.m.	Right side of Shin-ho Kow. (Four shots hit.)
Hsiangchiang	"	Sept. 11, 1930, 4 a.m.	Shin-tei Yang - lin Reef.
Taheng	"	Sept. 11, 1930.	18th Buoy. (One shot hit shotproof iron plate in front of the bridge, and injured first class pilot on the forehead and the left hand).
Wuling	"	Sept. 17, 1930, 0.47 a.m.	At the Mouth of Shin-ho.
Hsinyang	"	Sept. 17, 1930, 4.15 a.m.	Upper portion of Shin-tei.
Tangyang	"	Sept. 15, 1930, 1.45 p.m.	At the mouth of Shinho.
Taheng	"	Sept. 18, 1930, 1.10 p.m.	No. 19 Buoy.
"	"	Sept. 22, 1930, 7 a.m.	Chien-li District. (One shot hit outer board of the bridge.)
Hsinyang	"	Sept. 23, 1930, 0.50 p.m.	Below No. 19 Signal A.
Tachi	"	Sept. 24, 1930, 4.05 p.m.	Left bank of Chien-li. (100 bullets hit and smashed 15 window panes, and a Japanese sailor behind the iron plate sustained an abrasion on the left arm by splinter of bullet.)

Hsinyang	"	Sept. 7, 1930, 8 a.m.	No. 2 Signal.
Tangyang	"	Sept. 26, 1930, 7 p.m.	Kwan-in-chow.
Hsinyang	"	Oct. 6, 1930, 5.35 p.m.	No. 18 Signal post.
Taheng	"	Sept. 28, 1930, 2.20 a.m.	No. 2 Crossing. (One shot hit a tallyman in the steerage.)
Tangyang	"	Oct. 1, 1930.	Left bank of Kwan-in-chow.
Taheng	"	Oct. 12, 1930, 2.30 p.m.	Shan-chow-wan. (One steerage passenger and a steamer boy received a piercing wound; the former subsequently died of the wound in the steamer at 11.45 p.m.)
Hsinyang	"	Oct. 12, 1930, 0.45 p.m.	No. 20 Signal Post. (One bullet pierced two window panes of the Special Passenger Room, another bullet wounded a Japanese passenger.)
Wuling	"	Oct. 9, 1930, 0.30 a.m.	Shan-cho-wan.
Hsinyang	"	Oct. 17, 1930, 1.40 p.m.	Shan-cho-wan.
Taheng	"	Oct. 18, 1930, 5.30 p.m.	Shan-cho-wan.
Wuling	"	Oct. 23, 1930, 7.40 a.m.	No. 1 Crossing B Signal Post. (Hit a bullet-proof iron board outside the crew room, Daikyo-Maru.)
Hsinyang	"	Oct. 27, 1930.	No. 9 Route Signal Mark.
Wuling	"	Oct. 29, 1930, 4.30 p.m.	Shancho-wan.
Tangyang	"	Nov. 1, 1930, 10 a.m.	Shin-chang-Chuang.
Taheng	"	Nov. 3, 1930, 11.10 a.m.	Chang-chia-taw.
Tangyang	"	Nov. 6, 1930, 8.15 a.m.	Chin-She-Shan.
Taheng	"	Nov. 9, 1930, 11.35 a.m.	Shih-She-Shan.
"	"	Nov. 14, 1930, 4 a.m.	Shih-Mo-Pan-Shin.
Wuling	"	Nov. 14, 1930, 4 a.m.	Shih-Mo-Pan-Shin.
Taheng	"	Nov. 25, 1930, 11.55 a.m.	Shih-Mo-Pan-Shin.
Hangchiang	"	Dec. 4, 1930, 8.15 p.m.	Lin-hu Strand.
Hsinyang	"	Dec. 1, 1930, noon.	Near the mouth of Shin River.
"	"	Dec. 6, 1930, 8.20 a.m.	Shih-She-Shan.
Tangyang	"	Dec. 3, 1930, 9.10 a.m.	Below No. 21 Crossing. (One steerage passenger received a piercing wound on the left arm and died at 7 a.m.)

Wuling	..	Dec. 7, 1930, 0.31 p.m.	Shih-She-Shan.
"	"	Dec. 12, 1930, 8.20 a.m.	Near the Shih-She-Shan.
Hsinyang	..	Dec. 11, 1930, 0.30 p.m.	Chang-ma-taw.
"	"	Dec. 18, 1930, 3.30 p.m.	Left bank of Shih-shê; same day, 3.40 p.m. at Pai-lui Strand.
"	"	Dec. 26, 1930, 6 p.m.	Shih-she.
Taheng	"	Dec. 25, 1930, 10.50 a.m.	Above Shih-shê-shan.
Tangyang	"	Dec. 28, 1930, 2.30 p.m.	Ta-shih Station.
Hsinyang	"	Dec. 30, 1930, 8.15 a.m.	Shih-she.
"	"	Jan. 5, 1931, p.m.	Tiao-kwan-kaw.
Tangyang	..	Jan. 3, 1931, 2.30 a.m.	Shih-she.
Wuling	"	Jan. 3, 1931, 2.30 a.m.	Shih-she.
Hsinyang	"	Jan. 11, 1931.	Shih-She-Shan.
Hsiangchiang	"	Jan. 12, 1931, 0.24 a.m.	Shih-she. (A stray bullet hit the bridge, and one Nakajima was wounded on the left arm.)
"	"	Jan. 17, 1931, a.m.	Below Sandy Channel.
Hsinyang	"	Jan. 16, 1931.	Chang-chia-wan. (One bullet hit.)
"	"	Jan. 24, 1931.	Shih-She-Shan.
Wuling	"	Feb. 1, 1931, 1 p.m.	Tung-yu-shan; same day 6.30 p.m. at the mouth of Shin River.
Hsinyang	"	Feb. 6, 1931.	Shih-she.
Hsiangchiang	..	Feb. 7, 1931, 1.05 p.m.	Yang-lin Strand.
Changyang	"	Nov. 23, 1931, 10.50 a.m.	Tung-yu-shan.
Fuling	"	Feb. 1, 1931, 1 p.m.	Shih-shê.
"	"	Feb. 12, 1931, 1 p.m. 9.15 a.m.	Shih-shê.
Hsinyang	"	Feb. 9, 1931.	Yang-lin Strand, Shih-shê.
Hsinyang	..	Feb. 28, 1931.	Foreign Wharf.
"	"	Mar. 7, 1931.	Foreign Wharf below Shashi.
"	"	Mar. 17, 1931.	Liushuikow and Tiao-kuan-kow, Hsiache-wan, below Shashi.
"	"	Apr. 16, 1931, 6.45 p.m.	First Buoy, B, left side, above Chung-ling reef.
Tali	"	June 8, 1931, 9.20 a.m.	Shishoushan.
Sakura	"	June 14, 1931.	When leaving Yuan-chiang.
Tachi	"	Aug. 7, 1931, 4.20 a.m.	Shitoukuan.

Taheng	"	Aug. 22, 1931, 9.30 p.m.	17th Ferry, 7 miles above Chienlihsien.
Hsinyang	"	Sept. 18, 1931, 10.30 p.m.	2 miles above Foreign Wharf.
Iyang	"	Sept. 20, 1931, 3.30 p.m.	Tanchiachow.
Tangyang	"	Oct. 2, 1931, 5.10 a.m.	Pailo Reef below Shashi.
"	"	Nov. 1, 1931, 9.35 a.m.	Near Linkow.
Hsinyang	"	Nov. 10, 1931, 10 p.m.	Tiaokuankow. (More than 10 shots were fired, and 2 shots hit the hull).

III. Ichang-Chungking Line

S.S.		Date	Place
Fuling	Maru	Apr. 28, 1930, 7.10 a.m.	Fuchow.
"	"	Aug. 1, 1930, 3.55 p.m.	Salamis Bar.
Yunyang	"	Sept. 13, 1930, 11.20 a.m.	Fushan Gorge.
Chialing	"	Apr. 7, 1931, 2 p.m.	Sanyutung above Ichang. (Received a volley of 500 shots from regular troops. over 200 shots hit the ship, and Chinese No. 2 cook received a piercing wound on the left arm.)
Fuling	"	Apr. 26, 1931, 1.40 p.m.	Near Wanhuto.
Iyang	"	Aug. 4, 1931, 1.35 p.m.	Chinchow.

7. Unlawful Interference with Rights on Movables and Immovables.

That Japanese nationals are entitled to rights on land and other immovables and movables in the open ports and other places in China is provided for in the treaties and agreements (for instance, Art. 4 of the Treaty of Commerce and Navigation between Japan and China of 1896). However, in defiance of these treaty provisions, Chinese authorities have long been taking measures to restrict or prohibit lease of land by foreigners, especially Japanese. (The significance of such restriction and prohibition in Manchuria will be dealt with in Part IV of the Report.)

Not only has it become almost impossible for Japanese to acquire new land but it has also become difficult for them to hold and maintain their rights on land owing to

troublesome acts of interference on the part of Chinese authorities. It is the universal practice now throughout China that in regard to lands owned by Japanese, the renewal of title deeds, as well as the payment of land tax at a very high rate, stamp tax and fees for renewal of the deeds, etc., are demanded by local Chinese Governments in contravention of treaty provisions or agreements relating thereto. There are some cases where Chinese local authorities have attempted to expropriate lands owned by Japanese nationals by unlawful means. There are other cases where Chinese authorities have seized, at stations and other places, valuable Chinese curios belonging to Japanese while on their way to Japan.

(1) Extortion of unjust fees on renewal of title-deeds.

An example of Chinese demand for an enormous sum as stamp tax in connection with the land owned in Foochow by the Osaka Shosen Kaisha is cited here:—In February, 1928, the O.S.K. applied for new title-deeds for the lots of land which the company had acquired under perpetual lease from a certain foreign national. The Chinese authorities requested in turn the payment of stamp tax first to the amount of Mex. \$1,650 and later Mex. \$3,300 (the land being priced at Mex. \$10,000). The request was rejected by the company and the Chinese authorities refused to issue the new title-deeds. The O.S.K. withdrew the application and simultaneously requested the return of the written application together with the documents annexed such as a copy of land transfer agreement, etc. But the Chinese authorities refused to comply with the request.

(2) Attempted expropriation of land owned by Japanese. Cases happening principally in Shanghai:—

(a) In August, 1930, the Shanghai Municipal Government (Chinese) conducted road construction work across land in Pootung owned by the Nikka Cotton Spinning Co. without previously consulting the said company.

(b) On and across land in Pootung owned, under perpetual lease, by Baron Kiuya Iwasaki, the Shanghai

Municipal Government put up in January, 1931, about 17 concrete posts on which appeared the inscription "Shanghai Municipality Road Boundary". Road construction work between these posts was soon commenced by coolies under the direction of the Bureau of Public Works of the Shanghai Municipality.

(c) In April, 1931, the Shanghai Municipality conducted road construction, without any notification whatsoever, through land in Pootung perpetually leased by the Dainihon Sugar Company.

(3) Illegal seizure of Chinese curios belonging to a Japanese.

(a) On May 16, 1931, 570 pieces of old Chinese tiles, presumably of the Chin and Han Dynasties, which were destined for Japan, were seized by the goods office of the Tsingtao Railway Station. They belonged to a Japanese named Kuhara, a resident of Tsingtao, who bought them from an old Chinese family in Wei Hsien. The office seized the articles under the pretext that, according to the Law Governing the Preservation of Antiques, these articles should not be sold to foreigners. The pretext was absolutely unjust because the laws concerned were ineffective at the time the event occurred. The Japanese Consul-General in Tsingtao accordingly lodged a protest with the Shantung Railway Bureau who kept aloof and requested the Japanese Consul-General to refer the matter to the Bureau of Education of the Shantung Government. When the Japanese Consul-General in Tsinan approached the Bureau, it simply refused to consider the matter saying that it had only acted under instructions from the Ministry of Education at Nanking. The matter was brought at last to the attention of the Central Government by the Japanese Legation. The case is not solved yet. In May, 1931, 4 old Chinese wall paintings owned by Japanese were seized by the Tsingtao Harbour Office when they were brought in to the wharf for shipment to Japan after the necessary steps had been taken so far as the customs was concerned. The pretext for this action was that no such antiques should be exported to any foreign country.

8. Pressure brought to bear upon the Japanese Shipping Industry. (Inland Navigation and Coasting Trade.)

With a view to undermining the Japanese shipping industry in China, which, since Japan's participation in the inland navigation and the coasting trade in China in 1895, Japanese energy and capital have brought to its present position, the Chinese Government are taking insidious measures to bring pressure to bear upon Japanese ships, navigators, pilots, etc. Some of these measures are defined as open defiance of Japan's treaty rights regarding extraterritoriality, inland navigation and coasting trade. A few instances are given below:—

(1) Regulations compelling Japanese navigators of Chinese steamers to apply for Certificates of Competency issued by the Ministry of Communications.

On April 9, 1930, the Ministry of Communications ordered the Dairen Customs and other Maritime Customs in China to issue a notification to the effect that hereafter no clearance should be given to any Chinese vessel with foreign crew on board unless the latter was provided with certificate of competency issued by the Ministry of Communications. The purpose of said notification is to force foreign crews to apply for certificates issued by the Ministry of Communications. It is unlawful to impose a new obligation on foreigners who are already in possession of certificates of their own country. It also involves an infringement of extraterritoriality. Furthermore, the Regulations for Issuance of Competency Certificate as decreed by the Ministry of Communications provide that in order to be entitled to the said certificate, one must have served for many years on a Chinese vessel, and should this provision be strictly enforced, the majority of more than 300 competent Japanese navigators will be disqualified.

(2) Expulsion of foreign pilots.

On March 5, 1931, the National Government promulgated Pilot Regulations, one provision of which stipulates that

any person who wishes to act as a pilot must pass the pilot examination conducted by the Examination Yuan and take out a Pilot Licence. The examination is open to Chinese citizens only. These regulations are to become effective upon expiration of two years after the promulgation, and it is expected by the maker of these regulations that after two years no foreigner can be qualified as a pilot in China. The National Government already established in April, 1930, the Yangtze-Kiang Pilot Training Institute of the Ministry of the Navy and has begun to train Chinese pilots. The policy of the Chinese Government apparently is not to allow foreign pilots on the Yangtze.

(b) Pressure brought to bear on foreign pilots of Tsingtao.

There are at present three licensed pilots in Tsingtao, namely, a Japanese, a Chinese and an Englishman. They are under the supervision of the Harbour Bureau of the Tsingtao Municipality and are constantly subjected to the oppression of the Municipality, which collects 40 per cent. of the legitimate income of these pilots, thus reducing their income to a quarter of what it used to be. In April last year, Mr. Robertson, the English pilot, was advised to retire from the service, and the Japanese pilot has been similarly treated.

(3) Establishment of the Bureau of Navigation.

On July 1, 1931, Navigation Bureaux were established by the Ministry of Communications in Hankow, Tientsin, Canton and Shanghai and later in Harbin with branch offices in Changsha, Ichang and other places. These Bureaux were established for the purpose of inspecting ships, Chinese as well as foreign, and to issue certificates and other ships' papers, which were hitherto conducted by the Maritime Customs. However, the frequent declarations of the National Government regarding the said Bureau make it clear that they intend to interfere, disregarding extraterritorial rights in the inland waterways and coastwise navigation of Japanese and other foreign vessels.

(4) The ban on trade by small (less than 100 tons) vessels.

In January, 1931, the National Government ordered the Chinese Maritime Customs in Antung, Tsingtao, Shanghai, Canton, Tientsin, Amoy, Foochow, etc., to issue a notification to the effect that from February 1, no steam or motor vessel of less than 100 tons should be allowed to engage in trade between China and other countries, and if found guilty of transgression, the vessel involved should be confiscated. This notification has dealt a deadly blow at the Japanese business of plying small-sized vessels between Formosa and South China ports, between Shanghai, Tsingtao, Chefoo and Kwantung Leased Territory or Japan, and between Antung and Shin-Gishu. Apprehension was felt of an immediate and sudden collapse of the carriage of piscatory products by Japanese steamers and motor boats, between Japan-China ports, and of trade in general between Formosa and other South China ports, and between Antung and Korea. The case of the Ehi Maru No. 3 may be cited here as an example of the blow sustained by small-sized Japanese vessels engaging in trade between Japan and China. The Ehi Maru No. 3 (18 tons, owned by Mr. Fukutaro Yamada), registered in Formosa, had been chartered by Lin Pu-chang, a Cantonese, and was on her way to Hongkong. She lost her way on July 3, and was loitering about 2 miles and a half off the Chinese coast when a patrol boat of the Kowloon Customs forcibly detained her under suspicion of a breach of the said notification.

9. Illegal interference with Japanese fishing off the coast of China.

Japanese have developed fishery activities off the coast of China after years of effort. In recent years, however, the Chinese Government effected several measures designed to bring pressure to bear upon the Japanese industry.

(1) Groundless protests in regard to Japanese fishing off the coast of China.

Under date of June 3, 1930, the Waichiaopu despatched a note to the Japanese Legation, requesting that an end

be put to fishing by Japanese boats off the coast of China on the ground that it jeopardized the business of Chinese boats fishing in the territorial waters of China. Again, under date of November 25, 1930, the Waichiaopu sent a similar note to the Japanese Legation regarding fishing by Japanese boats off Woosung. These protests are to be regarded as entirely groundless as Japanese boats have never operated within the limits of territorial waters.

(2) Discrimination against steamers and motor boats of less than 100 tons.

In January, 1931, the Chinese Government caused the Chinese Maritime Customs in Tsingtao, Shanghai, Antung, Chefoo, Canton, etc., to issue a notification to the effect that on and after February 1, all steamers and motor boats of less than 100 tons should be interdicted to engage in trade between China and other countries. The notice was said to be for the purpose of preventing smuggling by small-sized Japanese fishing vessels. Yet it was recognized as veiled pressure upon Japanese vessels of smaller size to refrain from fishing while on their way to Shanghai, with their cargoes of fish, from Dairen, Tsingtao, or other ports in China.

(3) Prohibition of the transportation of raw fish by foreign boats.

Under date of March 30, 1931, the Chinese Government caused the Chinese Maritime Customs in Tsingtao, Shanghai, Antung, Chefoo, Canton, etc., to issue a notification to the effect that from May 1, foreign fishing vessels should not be allowed to import raw fish into Chinese ports except by a bill of lading, and that the importation of fish by Chinese fishing boats should not be allowed without special permit from the Ministry of Industry or the local authorities. This is clearly a case where Chinese authorities intended to bring pressure to bear upon Japanese fishing vessels, which, making Shanghai, Tsingtao or other Chinese ports their bases of operation, had been fishing, and importing their catches, but had suspended the enactment temporarily

at Japanese request. But if it were made effective, the damage to the Japanese fishery business would no doubt be enormous.

(4) Extension of the limit of territorial waters to twelve nautical miles from the coast. Under date of June 2, 1931, the Chinese Government notified the Japanese Legation that in order to control smuggling it had decided that the limit of the territorial waters would be 12 nautical miles from the coast. On and after the date of the notice, the Chinese Customs issued the same announcement under instructions from the Central Government. While this notice might have its purport in the control of smuggling, it was generally understood that its real objective was to keep watch over Japanese fishing boats off the coast of China.

(5) Instructions issued by the Ministry of Navy for expulsion of Japanese fishing boats.

In the latter part of June, 1931, the Ministry of the Navy of the National Government publicly announced that it had issued an instruction to the effect that from July 1, Chinese warships would drive away or seize Japanese fishing vessels whenever the former, in their patrol of the coast, should discover the latter in the act of fishing within 12 miles from land and, in the case of their disobedience, to deliver them to the Japanese authorities, requesting rigid punishment.

(6) Regulations governing fishery police.

In August, 1931, the Chinese Government promulgated Regulations governing fishery police, one article of which provides plainly that fishery police officers should, without delay, prevent foreigners from fishing within the limits of the territorial waters of China and, if necessary, request instruction from provincial authorities for the disposition of any case that might arise.

(7) Detention of Japanese fishing boats by Chinese authorities.

(a) The 12th and 13th Taisei Marus, Japanese fishing trawlers which left Shimonoseki on February 6, arrived at

Woosung on the 26th, where they were detained under the allegation that they had broken the Customs notification mentioned above, and were fined.

(b) The "Taikwa" Maru and the "Ryona" Maru, small-sized Japanese fishing vessels, registered at Tsingtao, which left Tsingtao on February 15, arrived at Woosung on March 4, and were refused entry by the Chinese Customs and were detained there.

(c) Piracy of Japanese trade marks. The forgery and imitation of foreign trade marks by Chinese have long been in practice. As a result, the Chinese Government promised the Powers to provide effective laws protecting foreign trade marks (see Article 6 of the Sino-Japanese Treaty of 1896). As the Trade Mark Law of China codified in 1923 was not considered sufficient to protect foreign trade marks, it did not receive the approval of the Powers. The Trade Mark Law as amended in 1926 was for the first time approved by the Powers. Ever since foreigners have registered their trade marks with the Bureau of Trade Marks. However, there has been a decided increase in the number of cases of violation by Chinese of foreign trade marks due to the defects of the Law and the laxity of governmental control. "Imitation" is distinguished from "forgery" and is held not to be in violation of the Law according to the interpretation of the Legislative Yuan. It is not regarded as unlawful to imitate a trade mark. This finds no parallel in foreign countries and illustrates the fact that China has no serious intention of protecting foreign trade marks. Chinese forgery and imitation of Japanese trade marks is nationwide and extends to almost all Japanese articles consumed by the Chinese people. In 1925 and 1926, there appeared throughout China an inferior imitation of "Ajinomoto" (epicurean sauce), which was manufactured by Suzuki and Co., a Japanese firm, and that of "Jintan" manufactured by Morishita Drug Company of Tokyo. These articles were the products of recognized Japanese concerns and were superior in quality, and their manufacturers were subjected to considerable loss as a result of infringe-

ments. Some of the more conspicuous cases of recent date are given hereunder:—

(1) The case of the forgery of the “Rising Sun” brand of twisted thread.

It was discovered that an imitation of the trade mark “Rising Sun” for twisted thread manufactured by the Imperial Filature Corporation of Osaka had made its appearance all over China in January, 1931, and that this illegal work was being perpetrated by a certain factory in Shanghai. Thereupon the Toa Company, the agent of the Japanese firm, brought the case up in the Shanghai Special District Court in March of the same year. However, the said court rendered a decision, on April 1, to the effect that the case was an “imitation” case and not a “forgery” case and could not be considered as an offence.

(2) The case of the forgery of the “Wild Bear” brand of Mosquito Incense.

During 1930, there appeared, in the markets of Central and Southern China, including Hankow, Soochow and Canton, imitation articles bearing the forged trade mark of the “Wild Boar” brand used on containers of mosquito incense manufactured by the Azumi Medicine Manufacturing Corporation of Osaka. It was discovered that the forged trade mark was put on incense manufactured by two or three factories in Shanghai. Therefore, the Tada Co. (Japanese), the agent of the company in Hankow, sued the Chinese chemists concerned at the Hankow District Court for piracy of trade mark and estoppel of the imitation goods, and Komuki and Co., the agent in Soochow, at the Wu-Hsien District Court, did the same there. As a result, the Hankow District Court confiscated and burnt up all imitation goods, and the Shanghai Bureau of Public Safety prohibited the sale of same. However, the Wu-Hsien District Court brought about a conciliation on condition that the Chinese merchants would hand over to the plaintiff a letter of apology and that they would no longer handle the goods, but the court, on October 18, summoned said Komuki on the

charge of unlawful interference with the business of the Chinese merchants.

(3) The case of the forgery of the "Lion" brand of dentifrice.

From the end of 1928, there appeared in Tientsin an inferior quality of dentifrice bearing the forged trade mark of the famous "Lion" brand of dentifrice manufactured by Tomijiro Kobayashi. Upon investigation it was ascertained that the violation was perpetrated by five Chinese druggists in Tientsin. The Japanese Consul-General requested the Chinese authorities on September 4 to end the violation.

(4) The case of the forgery of the "Sacred Deer" brand of the "Marusan Jintan."

The "Sacred Deer" brand of the "Reihotan" (a kind of restorative contained in a small tin), manufactured by the Marusan Drug Co. of Osaka, was copied in Hankow and Shanghai from about the year 1930, and was put on similar goods handled by more than ten Chinese druggists of Hankow. Thereupon, the Japanese Consul-General demanded the control of the sale of this imitation product by the Bureau of Public Safety. However, the Bureau held that inasmuch as the imitation trade mark inserts the name of the Chinese druggists it could not be held as a forgery and did nothing toward effecting the requested control.

(5) The case of the forgery of the "Clean" brand of dentifrice. Since 1930 the "Clean" brand, manufactured and sold by a certain Japanese chemist of Osaka, found its counterpart under a forged trade mark which came to be sold in large quantities everywhere throughout Manchuria. As it was ascertained, in February, 1931, that it was the work of Chinese merchants in Kirin and Yingkow, the Japanese Consuls at Harbin and Changchun requested that the sale of the imitation goods be stopped.

PART IV.

Manchurian Problems.

CHAPTER I.

GENERAL OBSERVATION.

1. Russian Intervention.

In 1895 Japan emerged victorious from the war with China, and through the Treaty of Peace signed at Shimonoseki on April 17, 1895, China ceded to her, in perpetuity, all the territory south of a line drawn from the mouth of the Yalu River to Yingkow, commonly known as the Liaotung Peninsula. Thereupon, Russia, considering that the permanent cession of the territory to Japan would seriously hamper the execution of her ambitious designs, together with France and Germany, "advised" or rather coerced Japan to surrender the prize. Japan, realizing that any attempt to resist such coercion against the overwhelming military odds would not only be futile but suicidal, acquiesced in the "advice" and restored it to China. (Japan received in compensation for the retrocession 30,000,000 Kuping Taels.) In the meantime Russia was steadily encroaching upon Manchuria. The Trans-Siberian Railway already reached Transbaikalia, and the question was being discussed as to the further route the railroad should take. Witte, then Russia's Minister of Finance, conceived the idea of building the road straight across the Chinese territory of Manchuria to Vladivostock as being much more economical than would be a road built entirely in Russian territory following the course of the Amur River.

2. Russo-Chinese Alliance.

China, grateful for this timely intervention, was ready to sacrifice some of her sovereign rights as testimony of her gratitude to Russia. Russia, on her part, was not slow in utilizing the friendly gesture as a means to secure compensation from China. It then happened that in June, 1896, the Tsar Nicholas II was to be crowned in Moscow. A high official was designated to represent China for the occasion, but Russia politely suggested that no one but Li Hung-chang could worthily represent China. Li was at that time the leader of the pro-Russian group in Peking politics. In April, Li went to Russia and entered into negotiations with Witte and Lobanoff, the Foreign Minister. The result was the secret offensive and defensive alliance aimed at Japan. The treaty was kept in confidence, and neither Russia nor China acknowledged its existence until the Washington Conference in 1922. The Chinese Delegation to the Conference, at the request of the Committee on Pacific and Far Eastern Questions, submitted a telegraphic summary of the treaty. However, the text of the treaty was printed in the London "Daily Telegraph," February 15, 1910. (A member of Li's family is said to have divulged the secret.) Therefore, its existence was known to the public long before the Conference. It is reported that the full text of the treaty was submitted to the State Department of the United States, but was withheld from publication. In order to carry out the objects of the alliance and to facilitate the access of Russian troops to Manchuria, China ceded to Russia the right to build a railway line straight across the territory. Later, on September 8, 1896, the treaty was implemented by the contract agreement for the construction and operation of the Chinese Eastern Railway. The second paragraph of Article 6 of the said agreement stipulated that the Company should have the absolute and exclusive right of administration of its lands. By Article 12, the Company was allowed to operate the railway for eighty years after the entire line was finished and put in operation with the proviso that the Chinese Government reserved the right to buy back the railway at the expiry of 36 years after the completion, upon repaying in full all

the capited involved, as well as all the debts contracted for this line, plus accrued interest. Although the short-cut to Vladivostock was thus opened Russia was not content with the port, as it was icebound during a larger part of the winter season. Therefore, taking advantage of the German acquisition of the lease of Kiaochou harbour and the Railway concession in Shantung, Russia obtained, on March 27, 1898, the lease of Port Arthur and Dalny (Dairen) and the adjacent territory and territorial waters for twenty-five years.

3. South Manchuria Railway.

Russia was authorized by this Convention for the lease of the Liaotung Peninsula to construct a branch line running 624 miles from Harbin to Dalny and to Port Arthur on the same conditions as those relating to the C. E. R. The exception was, that by Article 4 of the agreement the Company was allowed to mine such coal as was needed for the construction and operation of the railway in the regions traversed by this branch line. Later in 1900, another opportunity was offered Russia to strengthen her position when she dispatched large bodies of troops to Manchuria. In the subsequent Sino-Russian agreement for the evacuation of Manchuria, signed on April 8, 1902, Russia obtained the pledge from China to the effect that "should, in the course of time, the extension of the Shanhaikwan-Hsinmintun railway in South Manchuria, or the construction of branch lines in connection with it be undertaken, these questions would first form the subject of mutual discussion between Russia and China."

4. Japan's Acquisition of the Kwantung Leased Territory and the South Manchuria Railway.

War broke out between Japan and Russia on February 5, 1904. After a prolonged struggle, the Treaty of Peace was at last signed at Portsmouth on September 5, 1905, by which Russia transferred to Japan her lease of the Kwantung Province (Liaotung Peninsula), the railway between Changchun and Port Arthur and

its branches, and the coal mines along the railway as well as various rights appertaining thereto. By the Treaty of Peking between Japan and China signed on December 22, 1905, China approved the transfer. By the Additional Agreement to the Peking Treaty China granted Japan the right to maintain railway guards, and also the right to maintain, improve and make fit for commercial use the light railway line between Antung and Mukden, which had been built during the war by the Japanese troops. By a protocol appended to the Treaty, China engaged not to construct any main line in the neighbourhood of, and parallel to, the S.M.R., or any branch line which might be prejudicial to the interests of the S.M.R. By the Additional Agreement Japan caused China to open sixteen important cities and towns in Manchuria. The Japanese Government gave notice to the Powers, on August 22, 1906, that the port of Dairen would be established as a free port on September 1. An agreement was signed afterwards at Peking on May 30, 1907, by which a Chinese Customs Office was established at Dairen on July 1, and imports by sea to Dairen were to enter free of duty, but were to be levied on by the Chinese Customs if they were intended to pass the boundary of the Leased Territory and so reach the interior of Manchuria. In 1909, by the Treaty relative to Chientao, China agreed to open four towns in the Chientao District to international trade and residence. By the same treaty Koreans were granted the right to own lands as well as the right of mixed residence with Chinese in return for the recognition by Japan of China's sovereignty over the Chientao District.

5. Scheme of a Parallel Line Forestalled.

A prolonged railway controversy arose during the period of 1907-1909, following the action of the Chinese Government in 1907 in granting a British firm, Pauling and Co. a concession to finance the construction of a fifty-mile railway from Hsinmintun to Fakumen running parallel to the main line of the S.M.R. The proposed line was an open violation of China's pledge not to construct any parallel line made in the protocols to the Treaty of Peking, 1905. This controversy

ended in 1909 when Japan and China reached an agreement in which China engaged that "in the event of its undertaking to construct a railway between Hsinmintun and Fakumen, it shall arrange previously with the Government of Japan."

6. Japan's Position Consolidated.

By the Treaty respecting South Manchuria and Eastern Inner Mongolia, signed on May 25, 1915, the Chinese Government agreed to extend the terms of the lease of Port Arthur and Dairen and the terms of the South Manchuria Railway and the Antung-Mukden Railway to 99 years. By the same treaty, China also agreed to the following conditions:—

- (1) Permission for Japanese subjects to lease lands and to enter, travel and reside in South Manchuria for trade, manufacture and agriculture.
- (2) The opening of more towns in Eastern Inner Mongolia to international trade.
- (3) Recognition of joint enterprises of Japanese and Chinese in agricultural and auxiliary industries in Eastern Inner Mongolia.

7. Controversy Over the Treaty.

The so-called "Twenty-one Demands" were presented to China in January, 1915. Out of the negotiations which ensued, two major treaties and several agreements in the form of exchange of notes emerged—the Treaty and Exchanges of Notes respecting South Manchuria and Eastern Inner Mongolia; the Treaty and Exchanges of Notes respecting the Province of Shantung, the Exchange of Notes respecting the matter of the Hanyeh-ping Iron Works; the Exchange of Notes respecting the Fukien Question. In the Exchanges of Notes respecting Manchuria and Mongolia, China granted Japan the exclusive right of option with regard, first, to loans for the construction of railways in South Manchuria and Eastern Inner Mongolia, and, second, to loans secured on taxes in that region. Japan was also granted a preferential right concerning

the engagement by China of Japanese advisors and instructors on political, financial, military or police matters in South Manchuria. However, these exclusive rights were formally relinquished by Japan at the Washington Conference of 1921-22. Moreover, at that Conference Japan formally withdrew the reservation which she had made to the effect that Group 5 of her original demands on China should be postponed for future negotiation. As regards the Treaty (respecting Manchuria) itself, the Chinese Government has repeatedly made attempts to cancel it, emphasizing its relation to the Twenty-one Demands. China rests her claim on the ground that it was extracted under duress. At the Washington Conference of 1921-22, she raised the issue and explained the reasons for refusing to recognize the validity of the treaty. Baron Shidehara, a Japanese delegate, in his reply clearly defined Japan's position by declaring that "if it should once be recognized that rights solemnly granted by treaty may be revoked at any time on the ground that they were conceded against the spontaneous will of the grantor, an exceedingly dangerous precedent would be established with far-reaching consequences upon the stability of the existing international relations in Asia, in Europe and everywhere." (Mr. Charles E. Hughes, Chief of the American Delegation at the Conference, speaking of the treaty of 1915, said in effect as follows: "It is further to be pointed out that by Articles 2, 3, and 4 of the Treaty of May 25, 1915, with respect to South Manchuria and Eastern Inner Mongolia, the Chinese Government granted to Japanese subjects the right to lease land for building purposes, for trade and manufacture, and for agricultural purposes in South Manchuria, to reside and travel in South Manchuria and to engage in any kind of business and manufacture there, and to enter into joint undertakings with Chinese citizens in agriculture and similar industries in Eastern Inner Mongolia. With respect to this grant, the Government of the United States will of course regard it as not intended to be exclusive, and, as in the past, will claim from the Chinese Government for American citizens the benefits accruing to them by virtue of the most favoured nation clauses in the treaties between the United

States and China.") The argument that a treaty is voidable because it is extracted under duress is lacking in authority. It is, on the contrary, the practically unanimous view of such authorities as Oppenheim, Moore, Lawrence and Westlake that "circumstances of urgent distress, such as either defeat in war or the menace of a stronger nation to a weaker state, are, according to the Rules of International Law, not regarded as excluding the freedom of action of a state consenting to the terms of a treaty" and that "physical coercion or intimidation of the negotiators may be sufficient to invalidate a treaty, but a state which was forced to conclude a treaty containing humiliating terms has no right to shake off the obligations of such treaty on the ground that freedom of action was interfered with." In view of the above, the argument which rests the incompetence of the Sino-Japanese treaty of 1915 upon Japanese use of coercion has insufficient basis in International Law. The Japanese Government, taking this view, made the following declaration on March 14, 1923, in its reply to the Chinese request for abolition of the Sino-Japanese treaties and notes of 1915: "The attempts on the part of your Government to abrogate of its own accord treaties and notes which are perfectly valid should be regarded as contrary to the accepted principles of international intercourse the Japanese Government has recently concluded new arrangements with China on certain matters stipulated in the said treaties and notes and have also declared their decision to waive the rights secured to them under various other clauses in the instruments in question and withdrew certain reservations made to them. In this situation, they feel compelled to declare that they find absolutely nothing in the treaties and notes which is susceptible of further modification." It should further be noted that while China insists that she was constrained to comply with the terms of the Japanese ultimatum, she overlooks the significant fact that from the outset of the negotiations concerning the matters stipulated in the Treaty in question, she raised no objection. It was on such matters as represented by Group 5 that a deadlock developed necessitating the despatch of the ultimatum.

8. Japan's Contributions to Manchurian Prosperity.

The treaties and agreements as outlined above constitute the backbone of Japan's position in Manchuria. Since Japan came in, she devoted her energy and financial resources to the upbuilding of the vast area as a land where the peoples of all nationalities may peacefully pursue a course of mutual prosperity and happiness. That Japan has not failed to live up to this sacred trust is amply proved by the fact that enduring peace and order have been maintained for almost a quarter of a century in Manchuria, the only region in the whole territory of China to offer the benefits of peace and order to the calamity-stricken people of Shantung, Hopei, Honan and other provinces. Before the Russo-Japanese war, Manchuria was a medieval country inhabited mostly by Manchus and Mongols and secluded from China proper. The territory was being gradually colonized by Chinese and Koreans. There was practically no industry, and its agriculture was negligible, being in a primitive stage. The war, which marked a new epoch in the history of Manchuria, introduced a radical change both economically and politically. In the field of trade and commerce, Manchuria witnessed an amazing growth, especially after the opening of the port of Dairen. Prior to the war, Newchwang was the only port open to trade in South Manchuria. After the war, Newchwang ceased to remain the sole open port, and the opening of Dairen brought about a tremendous increase in trade. (In order to make the port as it is to-day, the South Manchuria Railway Company is reported to have expended as much as 68,000,000 yen up to March 31, 1930.) In 1906, one year after the opening of Dairen, the total trade of Manchuria increased to ¥100,707,000, namely, 12 per cent. of the total trade of China. The proportion increased to 17 per cent. in 1913, 19 per cent. in 1920 and 21 per cent. in 1929. The total trade of China aggregating about Tls. 2,900,000,000 (including domestic trade) in 1929, Manchuria's trade amounted to Tls. 775,000,000 of which Tls. 508,000,000 was the share of Dairen. In most years, Dairen's share amounted to more than 55 per cent. of Manchuria's total trade. The supremacy of Dairen did not, however, adversely affect the

position of Newchwang, where trade increased as a whole. The opening of the younger port simply enlarged the opportunities for trade. In the field of agriculture as well a remarkable change has been effected. It is estimated that somewhat over 30,500,000 acres are now under cultivation as against a total arable area of about 64,500,000 acres. The total value of the annual agricultural crops of Manchuria is estimated roughly at one billion yen. The growth of agriculture has been greatly aided by ample supplies of labour, due to the constant inflow of Chinese and Korean immigrants. In 1915, the estimated production of soya beans, kaoliang, millet, wheat, rice, etc., amounted to 404,500,000 bushels. Fourteen years later, in 1929, these crops were estimated at over 876,000,000 bushels. The production of soya beans amounting to about 221,000,000 bushels annually has doubled during the last fourteen years. The production of kaoliang which is the staple food of the native population, amounting to 217,000,000 bushels every year, of which about 13,000,000 bushels were exported exclusively to Korea in 1929. Korea imports Manchurian millet as a substitute for rice. This enables Korea to export rice to Japan, notwithstanding its deficient rice supply. Korean immigrants play a useful role in the development of agriculture in Manchuria. Being for the most part growers of rice, they cultivate low-lying and marshy areas which the Chinese immigrants accustomed to dry crops have hitherto neglected. In Manchuria as a whole, there are to-day about 240,000 Japanese and 768,000 Koreans. The Chinese population has increased by leaps and bounds. Its population in 1906 was estimated at 13,265,882 (Chinese official record.) In 1916, it increased to 19,639,671. In 1929, the population in Manchuria was estimated at 29,000,000, ninety per cent. of which were Chinese. The increase of population has been especially notable in the railway zone where the Chinese numbered only 8,902 in 1907. The Chinese population in the Leased Territory and railway zone to-day constitute 80 per cent. of the total population of 1,327,971, of which Japanese number 225,819, Koreans 18,247, Chinese 1,080,885 and foreigners 3,020. It may be noted that the area under Japanese jurisdiction contains over 875 people per square mile, while

the average population per square mile in Manchuria is 76. For many years past, hundreds of thousands of labourers have flocked north every spring from Shantung and other provinces of China to work during the summer months on the farms. At the beginning, practically all were males, and more than half returned to their homes in the south after the harvesting of the crops; but a significant proof of the more peaceful conditions prevailing in Manchuria, as compared with China proper, is to be found in the fact that of recent years, there has been an enormous influx of women and children as well; a sure sign of permanent settlement. Order in Manchuria has been maintained without serious interruption since the Russo-Japanese war despite the frequent forays of bandits. This has been achieved by the Japanese police and railway guards which, though stationed in limited areas, exercise a moral weight in the maintenance of order in Manchuria as a whole. Due to the presence of the police and railway guards, bandit raids in the railway zone have been much less frequent than in the areas under Chinese jurisdiction, despite the fact that the enormous growth of wealth in the protected areas offered an incentive to the activity of bandits. The maintenance of order in Manchuria is costly to Japan. Japan has spent more than 20,000,000 yen a year on soldiers and police in the areas under her jurisdiction, and in times of crisis the expenditure has multiplied. While the Chinese generally suffer from frequent disturbances in China proper, those in Manchuria enjoy the benefits of peace and order maintained at the heavy cost of Japan.

In fact, the chief gainers in Manchuria are the Chinese themselves. Manchuria is increasingly becoming the "oasis of peace" in the wild desert of Chinese lawlessness, and to the Japanese it has become the chief granary and source of raw materials. However, China refuses to see what has gone before and fanatically cries out that Japan should move out, restoring to China the railways, mines and the Leased Territory. To achieve these ends, she has systematically pursued a policy of obstruction to Japanese rights and interests.

9. Examples.

The following are a few examples illustrative of this policy of China.

(a) Open disregard of the right to engage in peaceful pursuits.

With the progress of the nationalist movement, China has become all the more eager to check Japan in enforcing her treaty rights. As the result, peaceful Japanese enterprises in Manchuria have been checked in a considerable degree. Not only the Japanese but some 800,000 Koreans have been suffering from this open disregard of treaty rights. The Chinese authorities have taken a series of steps to prohibit the lease and purchase of land by Japanese and Koreans thereby depriving them of the means of livelihood secured by treaties. The first action was taken one month after the signing of the Treaty of 1915. A Presidential Ordinance was issued on July 24, Article 2 of which had the following provisions: Those coming under one of the following provisions shall be held as guilty of treason: (1) Those in complicity with foreigners to upset the peace of the State and disturb public order; (2) Those in complicity with foreigners to harm the interests of the State. Article 3 of the Ordinance stipulated that those who have committed a treasonable act shall be punished by death. The Chinese authorities in giving liberal interpretation to these vague provisions, accused the Chinese who leased land to Japanese or Koreans of committing banditry and either put them to death or detained them in prison for many years without giving them public trial. The second step was taken by the Chinese authorities when special instructions were issued whereby arbitrary interpretations were given to the meanings of the treaty provisions. In doing this, the Chinese authorities have taken advantage of the vagueness of the terms. The following are the salient points in the instructions. (a) By commercial lease is meant to secure the lease of land through the voluntary consent of a landlord. Any land lease effected through coercion is not a commercial lease. By this, it is suggested that landlords should reject offers for the lease of their land by Japanese or Koreans.

(b) Consent of landlords is required for the construction of a building on the leased site: after the expiration of the period of the lease, the ownership of the building shall belong to the landlord. A few similar decrees are given below in chronological order: (a) In December, 1916, the Mukden authorities issued a decree stating that the land certificates used as mortgages or sold in secrecy shall be declared as void. (b) In December, 1917, the same authorities also promulgated a decree stating that those who use land certificates as mortgages or sell them in secrecy shall be held as perpetrators of a treasonable act.

A series of similar decrees have been issued for the last ten years. As a result, it is only too natural that the Chinese should refuse to lease land to Japanese merchants or Korean farmers wishing to engage in trade or farming. There are some cases in which the lease of land is made in secrecy. But if the fact is disclosed to the Chinese authorities, the Chinese landowners are persecuted and often threatened with the death penalty. In the matter of travelling in Manchuria, Chinese authorities have imposed a number of limitations and restrictions. They have often molested without reason Japanese nationals travelling in the interior. The Nakamura incident (see Chapter 2) is one of the most outstanding examples of its kind. Captain Nakamura and his companions, while travelling in the interior with passports, duly issued by the Chinese authorities, were brutally murdered by Chinese soldiers in uniform. It is not hard to imagine that such a dastardly act as this has had serious repercussions on the susceptibilities of the Japanese public.

(b) Koreans maltreated.

Koreans share the rights and privileges to which the Japanese are entitled. Moreover, in Chientao District on the north of the Korean border, they are entitled by the Chientao agreement of 1909 to own land. The Korean migration into Manchuria has a long history, and the development of Manchuria owes much to the industry and labour of this people. Manchuria has long been considered as an open field of economic activities for both Chinese and Koreans.

And there is no denying the fact that the Koreans have made considerable contribution to the present prosperity of the country, a veritable haven to China's millions. The Chinese authorities have put forth every effort to drive the Koreans out of Manchuria. In addition to being subjected frequently to heavy taxation, the Korean farmers cannot enjoy security of tenure without changing their nationality. Consequently, the disputes between them and landowners are of daily occurrence. They are frequently arrested and subjected to Chinese jurisdiction in spite of their extraterritorial privileges. The Wanpaoshan incident (see Chapter 2) was nothing but the culmination of acts of oppression directed against these faithful but ill-fated contributors to Manchurian prosperity.

(c) Attempt to encircle S.M.R. and isolate the Port of Dairen.

The Chinese attitude towards the Japanese railway interests and their allied enterprises is even more hostile. With the understanding to co-operate with her own railway system, Japan financed and constructed many lines in Manchuria for China. But when they were completed, China absolutely ignored the spirit of co-operation. She not only has not paid the interest on the loans but has adroitly incorporated these lines within her own system, and adopted a competitive policy towards Japanese interests. Japan, actuated by the desire for mutual existence and prosperity, assisted the Chinese by building railways for them, partly by furnishing loans and partly by doing the actual construction work, thereby contributing to the opening of the heretofore undeveloped areas. (These lines are: 1. Szepingkai-Taonan (Tung-liao branch included); 2. Taonan-Anganchi; 3. Kirin-Changchun; 4. Kirin-Tunhua.) With the exception of the Kirin-Changchun line, which is managed by the South Manchuria Railway Company under a special contract, these lines are operated by Chinese with Japanese interests represented on each line by a few supervisors without any power or initiative. From the financial point of view, the assistance has been far from remunerative. However, Japan was justified in rendering this assistance, for these lines served as feeders to

the main line of the S.M.R. While thus acting in the spirit of co-operation, Japan has, on the other hand, shown a firm determination to resist any attempt, on the part of China, to violate the specific agreement in the protocols to the Treaty of 1905, which enjoins upon China not to initiate competition with the S.M.R. by building lines parallel to the latter. In August, 1925, when the late Marshal Chang Tso-lin initiated the scheme for the first of these rival lines, the Tahushan-Tungliao line, a series of strongly worded protests were made, as this line, if completed, would form a formidable combination with two other Japanese financed and Chinese owned lines, the Szepingkai-Taonan and the Taonan-Anganchi, and was bound to spell a dire menace to Japanese interests. However, in October, 1927, the line under dispute was opened to traffic. In June, 1927, another line outflanking the S.M.R. in the east, the Kirin-Hailung line, was laid down by the Chinese against the Four Manchuria and Mongolia Railways Loan Agreement of 1918, in which the line in question was reserved for Japanese interests. As this fresh scheme was announced on the eve of completion of the Mukden-Hailung line, it left little room for doubt that the line under construction was designed to connect Kirin with Mukden by rail—a plan put through in May, 1929. (It should be noted that already in 1926 China completed the connection of the Mukden-Peiping line with the Mukden-Hailung line against vigorous protests from Japan.) Japan's anxieties are justified if it is remembered that these two lines are but the forerunner of the more ambitious scheme to build two trunk lines running in a generally north-south direction to the east and west of the South Manchuria Railway, thereby tapping the wealth of the Japanese spheres, and deflecting the traffic from the Japanese artery to the Chinese system with the half-built port of Hulutao as its ultimate terminus. If this scheme should materialize, it is obvious that the whole system of the S.M.R. will be emasculated. (The general objective of the Chinese appears to be to continue railroad construction (1) in a north-easterly direction from Kirin to Suiyuan near Habarovsk; (a) north from Ningnien or Koshan—possibly both—to Taheiho on the right bank of the Amur River opposite

Blagoveschensk.) The Chinese are building the Port of Hulutao obviously to compete with Dairen. On the other hand, China, contrary to the Dairen Customs Agreement of 1907, has discontinued the granting of drawbacks to imported goods transhipped to Manchuria through Dairen from a Chinese treaty port. This will force the shippers to avoid Dairen and result in the economic isolation of the port. The project of the Port of Hulutao and the discrimination against the Port of Dairen are but a manifestation of the Chinese intention to isolate the Leased Territory and the Japanese railway interests.

10. Japan's vital interests.

Prior to the Russian Revolution, there existed a close co-operation between Japan and Russia. Both countries acutely felt a community of interests and were mutually pledged to maintain the status quo in the Far East. This entente was, however, completely disrupted when Tsarist Russia crumbled and gave way to the Soviet regime now at the helm of the Moscow Government. Thereupon, Japan found herself confronted in the Far East with the imminent danger of communism. Although much has been said and written of the Nine Power Treaty or the League Covenant, these are practically impotent to cope with the abnormal conditions prevailing in the Orient. (It is well to remember that Russia is not a signatory to the Nine Power Treaty, nor is it bound by the Covenant of the League.) There is no concealing the fact that the Russian Revolution created a rift in the peace structure of the Far East. China with her own house split against itself by chronic civil wars is in no position to stem the tide of the communistic aggression. It is a sure proof of her incompetence that China should have suffered Outer Mongolia, for long a component part of her territory, gradually to fall into Russian hands. It is needless to say that Japan cannot content herself with the mere pledge from China, or for that matter, any third party, to maintain peace and order in the regions where her vital interests have been at stake. As far back as 1905, the Chinese Government, in the protocols to the Peking Treaty, engaged that "it will take all adequate

measures to restore order in Manchuria so that the residents of the region, natives and foreigners, may equally enjoy the security of life and occupation under its perfect protection." In spite of this solemn pledge, the Chinese Government, with its hands tied by internal dissension, have been unable to assure the security of life and property in the region. Except in the areas protected by Japanese police and railway guards, residents of that region have been exposed to the constant menace of bandits. This accounts for a large concentration of population in the railway zone and the adjacent areas. Soviet Russia has exercised a preponderant influence in the crucial period of China's political reconstruction. Consequently, the political system and methods which have been adopted by China are mostly of Russian origin. Her policy, both internal and external, is professedly revolutionary, as much as that of Russia. The conversion of Outer Mongolia into a satellite of Soviet Russia may be considered as but an initial move in the widely heralded Bolshevik scheme for a world revolution, in which, it is generally feared, China will be the eastern front. The new developments in the Far East have caused Japan deep concern. In the statement of May 18, 1928, the Japanese Government expressed in unequivocal terms its special concern over the maintenance of peace and order in Manchuria. To-day Japan stands face to face on the continent with two major powers whose political ideas and methods are entirely different from her own. However, it is not easy for outsiders to realize the gravity of the situation with which Japan is confronted. Events of history have taught us that the vital interests of a nation can be safeguarded by that nation alone. It needs no explanation that Japan holds vital interests in Manchuria as do other Powers in certain regions. In the Lansing-Ishii Agreement of November 2, 1917, the American Government recognized that "territorial propinquity creates special relations and that consequently Japan has special interests in China particularly in the part to which her possessions are contiguous." This is another way of saying that Japan possesses vital interests in Manchuria much as the United States has in Central America.

The Agreement itself is no more than the reaffirmation of existing facts. Although the Agreement has been abolished, this in no way has altered Japan's special position in Manchuria. Viscount Ishii, co-author of the Agreement, in his memoirs, clearly states this view. He says: "Japan's special interests in China from the beginning did not necessitate the recognition of other countries. But an unnecessary recognition is at times advantageous. Even if the Lansing-Ishii Agreement is abolished, Japan's special interests exist there undisturbed. The special interests which Japan possesses in China neither were created by an international agreement nor can they become the objects of abolition." Japan has had in the past bitter experiences in safeguarding her position in the Far East. In the autumn of 1918, some allied and associated Powers, through the initiative of the United States, sent a joint expedition to Siberia to check the advance of the Bolsheviks and to protect the Czecho-Slovakian troops. When in the spring of 1920 the other Powers withdrew their forces, Japan was placed in a very difficult position. She could not do otherwise but to remain on the spot until she was reasonably assured of her security. When the discussion of Japanese withdrawal took place at the Washington Conference, Baron Shidehara, Japanese delegate, pointed out the difficulties in the matter of withdrawal, first, as regards protection for Japanese nationals in Siberia, and second, that on account of geographical propinquity, the general situation in Siberia was bound to affect the security of the Korean border. This and other experiences have served to strengthen Japan's belief that she alone can defend her vital interests.

CHAPTER II.

SOME OUTSTANDING CASES OF SINO-JAPANESE CONFLICT IN MANCHURIA.

The following statement is based on the reports of Japanese Consuls in Manchuria.

1. Restrictions of Land Lease in Manchuria.

As already mentioned in Chapter I the central and local governments of China have issued various decrees virtually prohibiting the lease of land. A decree issued by the Three Eastern Provincial Government in July, 1929, provided for the death of, or the suffering of other drastic penalties by, any Chinese who sold or leased land to foreigners. Although the Chinese Government, being pressed by Japan, reluctantly consented in 1924 to open negotiations on the subject, no solution was reached as the Chinese presented proposals which were utterly incompatible with the existing treaties.

To illustrate the drastic measures taken by the Chinese authorities to prevent the lease of land, the following examples are given:

(a) In Hsinmin Hsien, a Chinese sold his land to a Japanese. The Chief of the Hsien ordered him imprisoned.

(b) In Liuho Hsien, a Chinese sold his land to the East Asiatic Industrial Co. (a Japanese concern). The local authorities confiscated the property and ejected the Japanese from the premises. (Tungshan Farm Incident.)

(c) In Penhsi Hsien, a Chinese who leased land to a Japanese for lime mining was imprisoned.

(d) In Chian Hsien, a Chinese was imprisoned on the ground that he rented a house for a Japanese police post.

(e) In Liaoning and Kirin Provinces, the authorities refused to give permits to Koreans for the lease of land. Efforts have been made to convert the Korean tenant farmers into day labourers. In some cases, the authorities went so far as to try to wrest land titles from the Japanese.

(f) Three years ago the office of Chinese Land Administration in Harbin requested Japanese nationals within the said zone to return the title-deeds issued by the former Chinese Eastern Railway Administration. The office never

issued the new title-deeds in place of the old ones, leaving the legal status of the land titles held by the Japanese in doubt.

(g) A Korean resident in Mukden, upon securing the lease in perpetuity of three lots within the International Area, applied, on November 23, 1930, to the Land Office for the title-deed. After long delay, on January 15, 1931, the Office rejected the application on the ground that the Government had placed a ban on the lease of land to foreigners.

2. Persecution of Koreans in Manchuria.

The Koreans, by virtue of the Chientao Treaty of 1909 as well as the Treaty of 1915, have the right to lease land, reside and engage in agriculture in Manchuria. They are also entitled to own land in the Chientao District. At present, there are scattered in Manchuria over 800,000 Koreans engaged in dry farming or rice cultivation. The migration of Koreans into Manchuria has a long history. In early years when Manchuria was sparsely settled, the Chinese local authorities greatly appreciated the skill of the Korean farmers and welcomed their immigration. Recently, however, the Chinese authorities have issued secret instructions making it difficult for them to migrate or settle down. In some localities, they have made life so unbearable for Koreans through various forms of oppression, such as levying heavy taxes, that they were forced to move out.

(a) On January 6, 1927, the Chinese police ordered 60 families of Korean residents in Toutaokou, Linchiang Hsien to move out by January 20. Koreans of the district were forced to pay \$700 to the chief of police to obtain the suspension of the order.

(b) In March, 1927, the Public Safety Bureau of Fuchiatien, Chinese city of Harbin, issued a drastic order to Korean residents numbering about 800 to evacuate within five days, and, in the event of their failure to obey, to resort to forcible banishment. Thereupon, some of the Koreans took refuge in the International Area of Harbin.

(c) On April 1, 1927, the Chief of Linchiang Hsien issued an order of immediate withdrawal to 26 families of Korean residents of Maoershan numbering 118 people. They were forced to return to their native country.

(d) On November 27, 1927, a Chinese policeman ordered a Korean family of Changchun to evacuate immediately, as he had received an instruction from his chief not to allow any unnaturalized Korean to reside there. He moved furniture and utensils out of the house, and forcibly put the inmates in a carriage. He took them into the native city of Changchun and finally banished them.

(e) In March, 1931, nine Korean farmers leased through a Chinese, Ha Yung-te, a piece of waste land of 500 tien-ti from Chinese landlords in Wanpaoshan in Sensingpao in the outskirts of Changchun. The term of the lease was 10 years. Two hundred Koreans composing 43 families migrated to the land. They invested a huge sum of money in building a dam on the I-tung River, which made it possible to open up a large tract of paddy fields. In June of the same year Chinese authorities in Changchun suddenly took several Koreans into custody on the plea that the said lease had not been sanctioned by the Chief of Changchun Hsien. They ordered the suspension of the work. Chinese landlords in the vicinity of the Korean paddy fields, taking advantage of the official intervention, proceeded to destroy the dam. This finally resulted in the Sino-Korean riot of July 3. (Wanpaoshan Incident.)

(f) Since the Wanpaoshan incident, Chinese authorities have banished Korean farmers from the districts of Yalu, Hulantun, Chengpeiyingtse, Mulan, Laopofang-Imienpo, Taolaichao, Huanhua of Heilungkiang Province; Fuyu, Changchun, Changling, Tunhua and Chientao of Kirin Province; and Penhsihu, Maoershan, Hsiuyen of Mukden Province. In all these places, from a score to several hundred Korean families were engaged in rice cultivation. With harvest time near at hand, their lands and crops were confiscated and their irrigation works completely demolished. In fact, they were made homeless and compelled to move out.

(g) In 1929, the following Korean schools were ordered to close: Kyosho School in Liuho, Kim's School in Tunghua, Tomei School in Nanyang, Kichisei School in Pataokou and Shinsei School in Liangchuantse.

3. Restrictions of travel.

Japanese nationals are entitled by treaty to travel and reside freely in Manchuria and are guaranteed the security of their person. However, with a view to preventing Japanese from travelling in Taonan and adjacent districts, as well as the northern section of Kirin Province, the Commissioners of Foreign Affairs at Mukden and Liaoyuan have invariably attached a slip of paper to Japanese passports designating restricted areas. In spite of frequent protests, instructions to impose similar restrictions were given to the Commissioners at Tiehling, Liaoyang, Antung, Yingkow, Tunghua and Hailung. On the other hand, Chinese authorities have often molested Japanese travelling with passports. The Nakamura Case is one of innumerable cases.

Case of Captain Nakamura.

Captain Nakamura was in possession of two passports duly issued in Mukden and Harbin by the local Chinese authorities. The reason why he possessed two passports was as follows: by an attached notice his Mukden passport prohibited travel in the Taonanfu district. Hence he received another passport in Harbin bearing no such restriction.

Captain Nakamura left Pokuto on the Chinese Eastern Railway in early June for Taonanfu. After travelling two or three weeks, a small town of Min-an Hsien was reached. While he and his party were having their meal in a small Chinese inn they were arrested on or about June 27 by Chinese soldiers under the command of a certain Colonel Kuan Yuheng of the Chinese Reclamation Army in spite of the fact that they showed their passports. While detained, they were always under guard, but were allowed to take meals at a

town restaurant for two or three days. Then, suddenly, they ceased to come to the restaurant. It appears that they were shot to death at night. It is well established that their personal effects and all valuables were stolen and their bodies were burnt.

4. Interference with various Japanese enterprises.

Various Japanese enterprises in Manchuria have been built up as the result of many years of effort, contributing materially to the prosperity of Manchuria. However, the Chinese have recently adopted an obstructionist policy towards these enterprises, rendering it difficult for them to carry on further.

Outstanding instances may be cited here:

(a) The South Manchuria Electric Co. has for nearly twenty years enjoyed the monopoly of the power business of Antung. With a view to dealing a blow to the management of the Company, Chinese officials and civilians in Antung organized an electric company in March, 1930, without paying any attention to the Japanese efforts to reach a compromise.

(b) In Harbin, the North Manchuria Electric Co. (Japanese) has since its foundation in 1918 been supplying electricity to the principal sections of the city and in 1920 obtained from the Municipal Council a concession for operating electric car lines. However, in 1928, the Harbin authorities had a Chinese electric company founded and, exercising pressure on the Municipal Council, caused it to grant a monopoly for an electric car service in Harbin to the new company. Thus the concession given to the Japanese concern was completely ignored.

(c) In 1930, the Kirin provincial authorities suddenly prohibited the felling of timber along the Kirin-Tunhua Railway for the purpose of causing financial loss to that railway (which was built with Japanese capital) and Japan's lumber interests.

(d) The South Manchuria Railway Company has invested a large sum of money in the Chamien Kung-ssu, which has lumber camps in Hsinganling, Heilungkiang Province. The Chinese authorities have ignored the agreement for the Chamien lumber concession concluded between the South Manchuria Railway Company and the Heilungkiang provincial authorities in 1925.

(e) Chinese authorities have instigated labour disputes on the Sakakibara Farm. In 1925, Chinese authorities constructed a railway from Huangkutun Station to the aerodrome through the Farm without first obtaining the consent of Mr. Sakakibara. The Japanese Consul-General in Mukden demanded compensation for the use of the land. But the Chinese authorities alleged the lease to be invalid and intimated their intention of recovering the Farm. (Mr. Sakakibara removed the rails on June 27, 1929.)

(f) When the East Asiatic Industrial Co. was constructing a dyke at Tungliao, in the spring of 1921, the Chief of the Bureau of Public Safety of the Hsien accompanied by a number of policemen set fire to the coolies' huts and drove away the workers.

5. Non-fulfilment of Treaty Obligations to Open Certain Cities for Foreign Trade.

(a) The Chinese Government has pledged itself to open, voluntarily and as speedily as possible, some cities in Eastern Inner Mongolia to the trade and for residence of foreigners. (Article 6, Treaty of 1915 concerning South Manchuria and Eastern Inner Mongolia.) However, the Chinese Government has not yet implemented the treaty obligations. (Since 1929, the Japanese Government urged the Chinese Government to permit the opening of Japanese Consulates in Taonan and Maoershan. But the Chinese Government has been adamant in its refusal.)

(b) In spite of the fact that Mukden was opened to trade and residence by the Sino-American Treaty of Commerce of 1903, the Mukden Chinese authorities designated a

certain area outside of the Walled City of Mukden as an international area. By applying pressure upon the Chinese landlords and in disregard of the protests of Japan as well as other interested countries, the Chinese authorities compelled the Japanese, as well as other foreigners, to withdraw from the Chinese city (walled city) where there remain at present only forty-four Japanese householders.

(c) Sansing, Kirin Province, was opened to trade and residence by the Additional Agreement to the Sino-Japanese Treaty of 1905. By applying direct or indirect pressure upon the Japanese within the Walled City of Sansing, the Chinese authorities have made it impossible for Japanese to reside or carry on trade there. As a result, there are only five or six Japanese residents remaining, and for Japanese to establish new homes or shops is absolutely impossible.

6. Interference with Japanese Mining Industries in Manchuria.

Japanese interests in mines and mining in Manchuria, which are guarded by the treaties, agreements and other arrangements between Japan and China, such as the Convention of 1909 concerning Five Pending Questions in Manchuria, have recently been interfered with by unwarranted actions on the part of the Three Eastern Provincial Mukden authorities issued a notice to the effect that mines of any description should be operated under the joint control of Chinese officials and civilians.

(a) In spite of the agreement between Japan and China to the effect that all mines along the Antung-Mukden Line, as well as along the main line of the S.M.R., should be operated as the joint enterprises of Japanese and Chinese, the Chinese authorities refused to operate mines on such a basis in Tsingchengtse, Niuhsintai, Tien-shihfu and other places.

(b) In spite of the fact that Japanese nationals have, heretofore, operated the lime mines at Penhsihu, under a

contract with the Chinese landowners, the Chinese authorities have convicted the Chinese as "traitors". And not only did they confiscate the property of the said Chinese but they also dispatched troops in August, 1929, and seized the mines.

(c) In spite of the agreement between the Liaoning Provincial Government and Yentaro Iida, Japanese, for the construction of a railway by the Kungchangling Mining Corporation, the Committee on Communications of the Liaoning Province, when formally applied to, questioned the wisdom of the scheme and rejected the application.

(d) In May, 1930, the Fochow Mining Corporation concluded a contract with the permission of the Bureau of Agriculture and Mining of the Liaoning Provincial Government to purchase clay from the Fochow Bay region from the Fochow Bay Products Corporation. In June, 1931, the authorities suddenly revoked the permit without giving any reason for so doing.

(e) In August, 1930, the Chenhsing Kung-ssu, a Sino-Japanese joint corporation, presented a written permit for the Magnesite Ore and Felspar Mines in Anshan at the request of the Chinese authorities who refused to return it under various pretexts. They demanded the payment of taxes for the mines, which was complied with by the company. They later notified that the permit for magnesite mines had already been rescinded. No explanation was given for this drastic act.

(f) The Chinese authorities at Hsian Hsien dispatched the police to the neighbourhood of the Hsian Coal Mine which is a Sino-Japanese joint corporation, and by using threats, urged the local people not to use the Hsian Mine's coal.

(g) The authorities of Fengcheng Hsien gave notice, in August, 1929, of the cancellation of the rights of a Sino-Japanese concern known as the Tsingchengtse Mine. Ever since, the Chinese authorities have often demanded the withdrawal of Japanese and arrested their drivers and confiscated their horses, making it impossible for Japanese to continue operations.

(China has defaulted on the obligations arising from the loan contract for 30,000,000 yen concluded between the Finance Department of the Peking Government and the Chunghua-Huiyieh Bank on August 2, 1918, on the security of gold mines and state forests in the Kirin and Heilungkiang Provinces and the revenue accruing therefrom.)

7. Non-Observance of Railway Loan Agreements.

(a) The construction of the Kirin-Hueining Line was promised in the Chientao Treaty of 1909. Subsequently a loan of 10,000,000 Yen was advanced by Japan as the result of the Kirin-Hueining Railway Loan Agreement of 1918. But its construction did not materialize. In 1915, a contract for the construction of the Kirin-Tunhua Line, a section of the Kirin-Hueining line, was entered into by the S.M.R. and the Chinese Government. The line was completed in October, 1928. On May 15, 1928, the S.M.R. and the Department of Communications of the Peking Government signed a contract for the extension of the said railway (to Tumen) thereby completing the Kirin-Hueining line. It was agreed that the work should commence within one year after the signing. The construction has never been commenced, due to lack of sincerity on the part of the Chinese.

(b) In the exchange of notes of 1913 pertaining to Manchuria and Mongolia (the so-called Five Manchuria and Mongolia Railways Agreement) and also in the so-called Four Manchuria and Mongolia Railways Agreement of 1918, the Chinese Government promised to construct the Changchun-Talai line with Chinese capital. In 1918, a loan of 20,000,000 yen was advanced in accordance with the Four Manchuria and Mongolia Railways Loan Agreement covering the Chang-Ta line, but the construction was not commenced. Subsequently, a contract for the construction of the said line was signed between the S.M.R. and the Department of Communications of the Peking Government on May 15, 1928, providing that the work would commence within one year after the signing. But the construction work was not started.

8. Interference with the business of the South Manchuria Railway.

The Government officials of the Three Eastern Provinces have constantly followed a pin-pricking policy against the South Manchuria Railway. In consequence, the business of the South Manchuria Railway Company has been seriously affected by unlawful intervention. Several representative cases are given below:—

(a) Since 1929 the Chinese authorities placed restrictions upon the transportation of Fushun coal by the Shen-Hai Railway. During 1930, Liu Hê-ling, Chief of the Department of Agriculture and Mining of the Liaoning Provincial Government, was authorised to issue an order prohibiting the use of foreign coal in firms, factories and other institutions under his control.

(b) The South Manchuria Railway enjoys the treaty right to quarry stone materials to be used for the railway and to acquire lands for that purpose. The Chinese authorities have frequently obstructed the operation of the quarries. Obstructions have occurred in the following places:—

Telissu, Hsuehiatun, Tangwangshan, Chichiapao, Nanshan, Maitseshan, Kuchiatse, Changtu, Tsingyangpao, Shalomantoushan, Chutseshan.

(c) Although the South Manchuria Railway Co. acquired lands for the Fushun Mine with the approval of the head of a Hsien, in accordance with the Fushun Mine agreement, the Chinese authorities have since 1924 consistently refused to recognize the transaction. Recently, they have resorted to all sorts of means to obstruct land transactions.

(d) The South Manchuria Railway Co. enjoys the treaty right to lease land necessary for the protection and operation of its lines. The Chinese authorities since 1915 have successfully prevented the acquisition of such land by the Railway. There are pending now more than 59 cases of the sort.

(e) When, in August, 1929, open tenders were invited as regards the contract for ten locomotives, the Shen-Hai

Railway awarded the contract to the Skoda Company in spite of the fact that the lowest bid was made by the South Manchuria Railway Co. and the second lowest by the Mitsubishi Company.

9. Traffic Obstructions by Chinese to S.M.R. Lines and Chinese Attacks on Railway Guards.

Traffic obstructions to S.M.R. lines by Chinese such as laying stones on a railway line or cutting off telegraph and telephone lines have recently increased.

Damages done by Chinese within the railway zone of the South Manchuria Railway is enumerated as follows:—

Kind of Cases	Number of Cases	
	Year	
	1929	1930
Obstructions to the operation	87	84
Raids on trains	114	75
Thefts of railway equipments	17	5
Thefts of telegraph wires	13	15

Provocative acts of Chinese toward the railway guards are of continual occurrence. Chinese often attack them for the ostensible purpose of robbing them of their arms. Very frequently these garrison soldiers sustain injuries, and are compelled to launch counter-attacks in self-defence.

(a) On June 22, 1931, at 10.30 p.m., a rifle shot was fired near the Japanese powder magazine in Mukden. The shot was aimed at a sentry.

(b) On July 14, 1931, a Japanese railway guard on duty in the railway zone of Mukden near the junction point of the S.M.R. and Pei-Ning Railway was insulted by a Chinese passer-by with whom he grappled. Soon afterwards a Chinese crowd gathered around him and took the soldier to a nearby Chinese police station.

(c) On August 5, 1931, at 2 a.m., a railway guard of the Haicheng Garrison was on patrol near the switch to the

south of Haicheng Station and challenged a suspicious Chinese, who suddenly shot him with a revolver, inflicting a fatal wound.

(d) On the night of August 8, 1931, a Japanese guard of the Penhsihu Garrison rebuked four Chinese who trespassed on the railway line. The Chinese after beating the soldier with clubs fled.

(e) On August 15, 1931, at 9 p.m., a guard of the Kuochiatien Garrison discovered three Chinese in the act of obstructing railway operation between Yangmulin and Shichiapao and challenged them. Whereupon they shot him with revolvers.

(f) On September 9, 1931, at 6 p.m., two mounted bandits with guns stopped the train at a point 5,000 metres north of Hushitai Station. They ordered all passengers and railway men on duty to disembark and escaped with spoils.

(g) On the night of September 13, 1931, telegraph wires were stolen near the Laokukow Station of the Antung-Mukden line.

(h) On September 15, at 1 a.m., four Japanese guards of the Kuochiatien Garrison were fired on by about 20 bandits at a point to the South of Yangmulin Station. Osaki, one of the guards, was fatally wounded.

10. Unwarranted Taxation in Manchuria.

While no Japanese national is subject to Chinese taxation except where explicitly provided for in the existing treaties, the Chinese Government has attempted to impose various unwarranted taxes. For instance, it has recently instituted a business tax and caused local governments to impose the same in lieu of "likin", a transit tax which was abolished after the restoration of customs autonomy to China.

In Manchuria, the impoverished state of finance of the Three Eastern Provincial Government has compelled the

levying of extortionate taxes. Unwarranted taxation in Manchuria may be summarized as follows:—

(a) As regards imported goods trans-shipped from one Chinese port to another, double imposition of import duty has hitherto been avoided by means of the drawback. Since the drawback was abolished in May, 1931, exemption certificates have been issued at a port of shipment, and thereby double taxation has been avoided. But no exemption certificates have been issued for goods shipped to Dairen, and in spite of the Japanese Government's repeated protests, the Chinese Government have taken no steps to remedy this irregularity.

(b) The Chinese authorities have since February 1, 1927, been exacting as a tax from Chinese merchants half of the price of the lumber sold to the South Manchuria Railway. Since the burden is shifted to the South Manchuria Railway, it is suffering a loss of about 60,000 yen annually.

(c) No sooner had the number of sleepers purchased by the South Manchuria Railway reached one million in 1928 than the Chinese authorities contended that the number was excessive and stopped the issuing of necessary permits for the exemption of the tax. It took a whole year to get these permits.

(d) In spite of the repeated protests of Japan and other foreign countries, the Chinese railways in Manchuria are giving discriminative treatment against Japanese and other foreign goods by applying lower rates to goods of Chinese origin.

(e) By the Agreement concerning the Fushun and Yentai coal mines, the export duty on their coal is prescribed as £0.01 per ton, same agreement being in force for 60 years from 1911. The Chinese Government introduced a higher rate of export duty on June 1, 1931. The Japanese Government protested, pointing out that the new rate was in violation of the agreement, but no final settlement has yet been reached.

(f) The Chinese authorities collected excise within the railway zone at Hsintaitse, Szepingkai, Anshan and Chionshan in violation of treaty provisions.

(g) The Chinese authorities levied a business tax on Chinese citizens in the railway zone and, in spite of protests from the Japanese authorities, they are enforcing, in violation of the treaties, the collection of the tax by all possible means such as by fines or by the posting of guards on the boundary of the railway zone.

11. Assumption of Jurisdiction over Japanese Nationals.

The Chinese Courts and Police authorities have often usurped jurisdiction over Japanese nationals who enjoy extra-territorial rights in China. Several instances are given below:—

(a) The Oriental Development Company took possession of a piece of land formerly owned by a Russian as the result of a court decision. Thereupon a Chinese having a claim against the said Russian filed a petition for injunction with the Court of the Special District of Harbin. According to the treaty provisions and the established customs, the petition ought to have been filed with a Consular Court of Japan; in this case, with the Japanese Consular Court in Harbin. Nevertheless the District Court took up the case and adjudicated in the interest of the Chinese claimant.

(b) In recent years, the Chinese authorities have not only refused to hand over to the Japanese authorities Koreans whom they happened to arrest but have also tried and sentenced them to long terms of imprisonment, violating the treaty rights of Koreans as Japanese nationals.

In May, 1930, thirty Koreans were arrested by the Chinese Police at their homes near Harbin. Ignoring the repeated protests of Japanese authorities the Court of the Special District of Harbin secretly tried the Koreans and imposed fines and other penalties.

Very recently the Chinese authorities in the Three Eastern Provinces have arrested and imprisoned Koreans promiscuously and have kept them in prisons for several months or even for over a year without due regard to process of law. Since the recent Manchurian incident the Japanese authorities have found sixty such prisoners in Mukden, one hundred and forty in Tunhua, two hundred and thirty in Kirin and about forty in Harbin.

12. Interference with the Japanese Police in the South Manchuria Railway Zone and other places.

The Chinese military and police have frequently interfered with the actions of the Japanese police, inflicting injuries to the latter:—

(a) On February 28, 1931, seven Japanese members of the Antung Consular Police proceeded to the border of Hsiu-yen Hsien in search of Korean culprits. They were detained by about 40 Chinese policemen of the Public Safety Bureau.

(b) On June 13, 1931, two Japanese police officers were on patrol in the S.M.R. zone of Changchun where five Chinese soldiers threw stones at them. Eight Chinese policemen who happened to pass by also joined in the attack.

(c) On the night of October 6, 1930, Chinese and Koreans were engaged in an altercation on Kwangan Avenue of Lungchingsun in Chientao in which a Korean was severely beaten by a number of Chinese. A Korean policeman attempted to protect the Korean, whereupon five or six Chinese soldiers and about 20 Chinese civilians gathered and thrashed the Korean officer. In escorting the Korean to his home the officer was fired on from behind by a Chinese policeman on patrol. Thereupon three Japanese policemen who happened to be there took the said Chinese officer to the Chinese police station. After the incident a passing Korean suffered a wanton outrage at the hands of the Chinese soldiers and a crowd near the spot where the incident occurred. On receiving news of this violence about ten or more Japanese police-

men hastened to the rescue. More than ten Chinese soldiers fired upon the Japanese police wounding one of them fatally and killing two others outright. (Chientao Police Murder Case.)

13. Stationing of Chinese Troops within the Neutral Zone in Manchuria.

Under the pretext of bandit rampancy the Chinese authorities, since November, 1928, have stationed six battalions of troops in many places such as Tunghua and Linchiang in the Province of Liaoning, a portion of which, numbering about 450, were stationed at Kaiping. In December of the same year, the Chinese authorities dispatched about 400 soldiers to Takushan and Chwangho for the same reason. There was no previous consultation whatsoever with the Japanese authorities. (Kaiping and Takushan are within the neutral zone, which was provided for in the original Sino-Russian convention, and in which the stationing of Chinese troops was prohibited.) Ignoring the protests of the Japanese Consul-General at Mukden, the Chinese authorities did not remove the troops until March, 1930. It is feared that such an act of open disregard of international arrangements may again be committed by Chinese authorities.

PART V.

Shantung Problems.

CHAPTER I.

JAPAN'S SPECIAL POSITION IN SHANTUNG.

1. German Acquisition of Lease of Kiaochow Bay.

On March 6, 1898, a treaty was signed at Peking by which China leased to Germany the land on both sides of the entrance to Kiaochow Bay. By the same treaty, Germany obtained the right to construct two lines of railway in Shantung, one the Kiaochow-Weihsien-Tsinan line and the other the Kiaochow-Ichowfu-Tsinan line. She also acquired the right to develop mines for a distance of thirty Chinese li from each side of those railways and along the whole extent of the lines. Moreover, Germany secured the right of option with respect to foreign assistance in persons, capital and material. By virtue of these rights and concessions, Germany established a veritable sphere of interest in Shantung. Later by the agreement of April 17, 1899, Germany extracted another concession from China to the effect that the Chief of the Maritime Customs at Tsingtao was to be of German nationality; that the members of the European staff of the Customs should be, as a rule, of German nationality; and that all correspondence between the Customs at Tsingtao and the German Authorities and merchants should be conducted in the German language. She then fortified Tsingtao and there established the base of the German Asiatic Fleet.

Consequently, to all intents and purposes, the port became the German foothold in the Far East.

2. Japanese Occupation of Shantung.

Upon the outbreak of the World War in 1914, Japan entered the war in conformity with the spirit of the Anglo-Japanese Alliance and with a view to ensuring the peace of the Far East. And in November the same year, Japanese and British troops captured Tsingtao and the Kiaochow Leased Territory. Thereupon, the Japanese Government entered into negotiations with the Chinese Government regarding the disposition of the German rights and interests in Shantung. By the Treaty respecting Shantung signed on May 25, 1915, the Chinese Government agreed "to give full consent to all matters upon which the Japanese Government may hereafter agree with the German Government relating to the disposition of all rights, interests and concessions which Germany, by virtue of treaties or otherwise, possessed in relation to the Province of Shantung." In addition to the Treaty, Japan, anticipating the restitution of Kiaochow, entered into several agreements with China.

3. Rendition of Kiaochow to China.

The armistice was signed in November, 1918, and China who had been a belligerent since 1917 participated in the Peace Conference. At the Conference, China pretended ignorance of her treaty commitments and insisted on the immediate restoration of Shantung. However, the Versailles Treaty recognised Japan's right of accession to the German rights and interests in the region. Thereupon, the Chinese Delegation refused to sign the Treaty. The deadlock continued until the Washington Conference in spite of the several gestures made by Japan in the interval to open negotiations with a view to effecting the restitution. Incidentally, at the Washington Conference, China agreed to open direct negotiations. After a series of conferences, the Treaty for Settlement of Outstanding Questions relative

to Shantung was signed on February 4, 1922. Later in December the same year, a detailed agreement was signed at Peking. As the result, Japan evacuated her troops from Shantung and restored to China virtually all the rights and interests which she inherited from Germany. What she retained was a mere portion of purely economic interests. Whatever rights and interests Japan possesses to-day in Shantung are in the nature of a compensation for her sacrifices in restoring to China the territory which had been virtually abandoned to Germany. Therefore, Japan has a cogent reason to demand full respect for them.

4. Japan's Rights and Interests.

By the Treaty mentioned above, China agreed to open the entire area of the former German Leased Territory to foreign trade and residence; to open several important towns in Shantung; to allow foreign residents to participate in the municipal administration of Tsingtao; to respect the vested rights acquired by foreign nationals in the former German Leased Territory whether under the German regime or during the period of Japanese administration. As regards the railway interests, Japan agreed to transfer to China the Tsingtao-Tsinanfu Railway, and its branches, together with all other properties appurtenant thereto. China on her part undertook to reimburse the actual value of the Railway properties. (The value was estimated at 40,000,000 Yen.) To effect the reimbursement, China delivered to the Japanese Government Treasury Notes running for a period of fifteen years and secured on the properties and revenues of the Railway. It was also agreed that the mines of Tsechwan, Fangtze and Chinlingchen should be handed over to a company to be formed under a special charter of the Government of China, in which the amount of Japanese capital should not exceed that of Chinese capital. The foregoing are outstanding among the rights and interests Japan possesses to-day in Shantung. Chinese violations of these rights and interests will be dealt with in Chapter II.

CHAPTER II.

CASES OF CHINESE VIOLATION OF JAPANESE RIGHTS AND INTERESTS IN SHANTUNG.

The following statement is based on the reports of Japanese Consuls in Shantung:—

1. Right of Foreign Nationals to participate in Municipal Administration of Tsingtao ignored.

By Article 23 of the Shantung Treaty of 1922, China undertook to open the former German Leased Territory to foreign trade and residence, and by Articles 2 and 6 of the Annex to the Treaty, she agreed that "in the management and maintenance of public works to be transferred to China such as roads, water-works, parks, etc., the foreign community in the region shall have fair representation"; and that "pending the enactment and general application of laws regulating the system of local self-government in China, the Chinese local authorities will ascertain the views of the foreign residents in such municipal matters as may directly affect their welfare and interests". While these provisions generally concern the welfare of all foreign nationals, they affect more directly the interests of Japanese residents.

In spite of these treaty arrangements, China arbitrarily formulated "Provisional Regulations" relating to the International Area in Kiaochow. She designated the former German Leased Territory as the International Area to be governed by a Commissioner. This important decision was made without first ascertaining the views of the foreign residents as stipulated in the Treaty. On February 23, 1923, the Japanese Consul-General at Tsingtao filed a vigorous protest and demanded that the said Regulations be so modified as to conform to the treaty provisions. Later in July, 1925, Governor Chang Tsung-chang revoked the Regulations and placed the International Area under the direct control of the Provincial Government. He founded a bureau for its

administration to be headed by a Commissioner-General. Inasmuch as the matter had an important bearing on Japanese interests, the Japanese Government stressed the necessity of consulting the foreign residents before making any changes in the municipal system of Tsingtao. Again in May, 1926, the Japanese Consul-General urged the Chinese authorities to make definite arrangements for the participation of the foreign nationals in the municipal administration of Tsingtao. However, the Chinese authorities paid no heed to the treaty rights of foreign nationals. They transferred the telephone administration to the National Government on May 18, 1929 without ascertaining the views of the foreign residents, and further attempted to transfer the harbour administration. But through the timely intervention of Japan, the plan fell through.

2. Failure to open Certain Places in Shantung.

By Article 3 of the Treaty respecting Shantung signed on May 25, 1915, the Chinese Government undertook to open as soon as possible certain suitable places in the Province. When Shantung questions were discussed between the Japanese and Chinese Delegations during the Washington Conference, the Chinese Delegation declared that China would in due course of time open certain places in Shantung and that full protection and fair treatment would be accorded to the foreign residents in the Province. Relying on this statement, Japan did not ask any formal commitment by China regarding the matter in the Shantung Treaty signed at Washington on February 4, 1922. So far, China has failed to fulfil the obligation voluntarily assumed by her.

3. Non-fulfilment of Obligations regarding Tsingtao-Tsinanfu Railway.

Although the Tsingtao-Tsinanfu Railway was transferred to China, Japan possesses the right to supervise its operations pending the redemption of the Treasury Notes she received, which are secured on the properties and revenues

of the Railway. By Article 19 of the Shantung Treaty, China agreed to appoint a Japanese to be Traffic Manager, and another Japanese to be Chief Accountant jointly with the Chinese Chief Accountant, for so long a period as any part of the Treasury Notes remained unredeemed. She also agreed that the sum equivalent to the monthly instalment of interest payment (200,000 Yen) should be deposited each month in a branch of the Yokohama Specie Bank either in Tsingtao or Tsinanfu.

Ever since its transfer to China, the Railway has considerably suffered from frequent interruptions of traffic due to sporadic civil wars. The rolling stock was often commandeered and diverted to the Tientsin-Pukow Railway by rival troops. The railway revenues were frequently seized and misappropriated by warlords. In view of the situation, the Japanese Government, during the negotiations for the settlement of the Tsinan Incident of 1928, instructed the Japanese Minister on March 28, 1929, to demand of China to agree to the following conditions:

(a) The rolling stock of the Railway shall not be seized and diverted to other railway lines.

(b) The revenues of the Railway shall not be appropriated for any other purpose until after the operating expenses and the interest payment have been met.

As the result of the interference with the railway business, the interest payment became extremely irregular, and the transportation facilities were paralyzed. Business in the region was seriously hampered, causing financial distress to mining operators, traders and manufacturers.

Japanese shipping companies such as Nippon Yusen Kaisha, Osaka Shosen Kaisha and Harada Kisen Kaisha were all seriously hit. The Chinese native goods usually exported through Tsingtao were shipped through either Tientsin or Shanghai.

The following are some of the concrete cases in which Japanese railway interests were seriously hampered:

(a) At the time of the Fengtien-Chihli war in 1924, four hundred freight cars were diverted to the Tientsin-Pukow line in order to transport the Chihli troops. In defiance of the Japanese protest of October 21, 1925, General Chang Tsung-chang concentrated all the rolling stock except passenger coaches in Tsinan.

(b) In October, 1925, Governor Chang Tsung-chang ordered the suspension of traffic on the Tsingtao-Tsinan Railway and the concentration of engines and freight cars in Tsinan. As the result, there remained on the Railway on February 3, 1926, only 2 engines out of 108, 16 passenger coaches out of 181 and 6 freight cars out of 1,674. Consequently, the merchants petitioned the Governor and secured some freight cars after paying thirty dollars per car as soldiers' solatium. This temporarily alleviated the situation to some extent. But soon afterwards the traffic was again halted, and this time, the merchants were forced to pay one hundred dollars per car to keep up the traffic. The situation remained unchanged up to the end of the year.

(c) On June 24, 1929, General Chiang Kai-shek ordered the Railway to transfer thirty-eight cars to the Tientsin-Pukow line for military use. In October of the same year, seventy more cars were requisitioned.

(d) When the Shansi rebel troops approached Tsinan in June, 1930, general traffic on the Railway was halted for a month and a half for troop movements. The National Army seized 207 cars. Generals Han Fu-chu, Governor of Shantung, and Li Yu-hen, Commander of Honan troops, seized 268 and 33 cars respectively.

(e) The Tsingtao-Tsinan Railway turned over to the Ministry of Railways at Nanking and the Christian University of Shantung a large sum of money without the knowledge of the Japanese Chief Accountant. This was done in com-

pliance with the orders of the National Government as well as the Provincial Government of Shantung. In April, 1931, the Ministry of Railways ordered the Railway to raise its rates by 20% as from May 1, and deposit the increased revenue to the credit of the Ministry. All cheques drawn on this special fund were to be signed by a committee appointed by the Ministry. This arrangement is an open violation of the agreement that all cheques drawn on the funds of the Railway should bear the signatures of both the Japanese and Chinese Chief Accountants.

(f) During 1924, Governor Chang Tsung-chang issued Treasury Notes (in August, the issue amounted to 1,800,000 dollars) and forced the Railway to accept the same. In August, 1924, he founded the Bank of Shantung and ordered the Railway not to accept any other paper money than that issued by the same Bank. The obvious aim of this order was to preclude the use of the bank-notes issued by the Yokohama Specie Bank.

(g) On October 29, 1924, Governor Chang Tsung-chang ordered the Railway to contribute to his war funds the sum of two million dollars, and threatened, in case of failure to obey the order, to execute the Manager and the Chinese Chief Accountant of the Railway. The latter paid \$1,400,000 to the Governor without the consent of the Japanese Chief Accountant.

(h) On October 21, 1929, Engineer Suzuki and two other Japanese employees of the Railway were discharged on the pretence that the motives of their appointment were questionable. Repeated protests from Japan were of no avail.

4. Interference with Business of Lutai Kung-ssu.

By Article 22 of the Shantung Treaty of 1922, the mines of Fangtze, Tsechwan and Chinlingchen were transferred to a Sino-Japanese joint company to be formed under a special charter of the Chinese Government. This company (Lutai Kung-ssu) was formed in August, 1923, with a capital of

\$10,000,000, equally divided between the Japanese and Chinese nationals. By Article 24 of the Detailed Agreement, the company was to pay 5,000,000 yen to the Japanese Government. Soon after its formation, the company met serious obstacles. Governor Chang Tsung-chang threatened to confiscate the company's properties or impose heavy taxes. Frequent seizures by the military of the rolling stock of the Tsingtao-Tsinanfu Railway interrupted the shipment of coal and ores, causing heavy losses to the company. Some of the cases in which Chinese authorities interfered with the business of the company are cited below:

(a) When he assumed the Governorship of Shantung in May, 1925, General Chang Tsung-chang had difficulties in raising his war funds, and tried to confiscate the Chinese shares in the Lutai Kung-ssu by directing Chang Tse-heng, a director representing the Chinese interests in the company, to transfer the shares owned by Chen Yun-peng and Wang Chen-yuan to the Provincial Government on the plea of the financial stringency of the Government. This was, however, temporarily forestalled through the Japanese protest. In September, he ordered the company to transfer the preferred shares owned by Chang Tse-heng amounting to \$300,000. The Governor succeeded in effecting the transfer on September 17. (The Lutai Kung-ssu, however, regards the transfer as void.)

(b) On August 22, 1925, Governor Chang notified the Lutai Kung-ssu through the Chief of the Industrial Department that as the Government decided to levy the tax of forty cents per ton on all mineral products, the company should pay within ten months the sum of \$280,000. (The total production of the mines was estimated at 700,000 tons per annum.) The company refused to pay because the charter specified that its products should not be levied on more than was stipulated in the Mining Regulations.

(c) On September 30, 1925, Governor Chang demanded that the company pay \$400,000 as a special mining-lot tax (twenty cents per mow). The company refused to pay.

(d) On October 9, the same year, the Governor again notified the company that all charges payable to the National Government should be paid through the Provincial Government. The company, knowing that the charges would be pocketed by the Governor, refused to obey the order.

(e) On March 25, 1927, the Chinese Government placed an embargo on the export of coal from Tsingtao to other Chinese ports on the plea that it might possibly be delivered to the Navy of the Southern Government. As the result, the Tsingtao-Tsinanfu Railway refused to accept any shipment of coal for Tsingtao as from March 29. Since the embargo wrought hardships on Japanese coal dealers, the Japanese Consul-General at Tsingtao lodged a vigorous protest. The ban was removed on June 1.

(f) On September 10, 1927, the Governor ordered the company to deliver to the Chinese war vessels anchored in Kiaochow Bay 7,000 tons of coal immediately and thereafter 3,500 tons monthly at a price not higher than \$5.00 per ton. The value of coal at the pits being \$9.00 per ton, the company, if it had yielded, would have suffered a considerable loss.

(g) The Tsechwan mine, owned and operated by the Lutai Kung-ssu, has been suffering from surreptitious mining by the Chinese since 1928. Some of those who are engaged in the illegal operations are possessed of official permits issued by the Chinese authorities. For instance, the Yu-cheng Kung-ssu, a Chinese mining concern, operated at Chiu Chia-lin, Etu Hsien, which was within the boundary of the Tsechwan mine. It was found that this company secured from the Ministry of Agriculture and Commerce at Peking the right to mine for an area of 240 mow within the boundary of the mine. This company produced 60 tons of coal a day. A similar case was found in Hochuang, Etu Hsien. The Tiencheng Kung-ssu, a Chinese corporation, obtained a mining permit from the Industrial Department of Shantung Provincial Government and openly engaged in the illegal operations within the boundary of the mine. This company

produced 20 tons a day, employing one hundred miners. When a civil war broke out in July, 1930, and local peace was disturbed, the Chinese took advantage of the situation, and, at one time, operated at more than fifty places with the total daily production of from 500 to 600 tons, and competed seriously with the Lutai Kung-ssu. The Chinese authorities, however, took no steps to remedy the situation.

(h) In April, 1931, the Chinese authorities notified the Lutai Kung-ssu and other Japanese mining concerns of the appointment of mining inspectors to be stationed at the mines. They have forced the mining companies to pay salaries and furnish accommodations to these officials. The inspectors generally do not possess any technical knowledge. They enjoy a comfortable living at the expense of the mining companies. For fear of retaliation by the Chinese authorities, the companies do not dare to protest.

5. Disregard of Japanese Landed Interests in Shantung.

It is provided in Article 6 of the Detailed Agreement that the land lease granted by the Japanese authorities prior to the rendition of Kiaochow was entitled to a renewal for another 30 years after the expiration of the term. While there is no specific provision in the Agreement as to the lands acquired through purchase or reclamation, they are equally protected as the vested rights by Article 24 of the Shantung Treaty. The status of these land-titles was to be studied by a Sino-Japanese Joint Commission created by Article 2 of the Treaty. When the matter was discussed by the Commission, the Chinese questioned the validity of the land-titles. Hence, no agreement was reached. The matter is still pending before the Japanese and Chinese authorities in Tsingtao. Some of the cases where the Chinese ignored the Japanese landed interests are given below:

(a) In January, 1931, the Chinese authorities notified that all title-deeds made in the Japanese or German language should be translated into Chinese by the end of the year and that, failing this, they would be declared null and void. The

Chinese authorities took no steps to ascertain beforehand the views of foreign residents as stipulated in the Treaty before making this important announcement.

(b) On March 25, 1930, the Tsingtao-Tsinanfu Railway demanded Sotaro Imai, who owned a shop within the compound of Changtien Station, to relinquish his land without compensation. As he would not accede to the unreasonable demand, the railway authorities surrounded his shop with a board fence. It is needless to say that such a drastic action is against the Chinese pledge to respect vested rights. Not only that, it is a violation of the understanding reached by the Sino-Japanese Joint Commission at its 21st meeting on December 5, 1922. It was agreed that a Japanese was entitled to continue to hold the land within the railway zone even after the expiration of the original term of the grant provided that he had actually built or commenced building on it. In case the Railway needed the land, it could recover it after paying full compensation for both the land and the upper structure.

(c) By the Detailed Agreement, Japan recognized the right of China to buy back the Kunitake Farm in Tsingtao, a large farm comprising 400,000 tsubos (a tsubo is six feet square). Detailed arrangements for the transfer of the farm were to be made between the Japanese Consulate and the Tsingtao Municipality. No appreciable progress has been made in the negotiations as the Chinese insist on impossible terms.

6. Non-execution of Extension Work of Pier No. 1.

As the extension work of Pier No. 1 of Tsingtao had been proceeding with a four year plan since 1920, the Japanese Delegation, during the Shantung negotiations of 1921-22, caused the Chinese Delegation to declare that the work should be completed as originally planned out. It was with such an understanding that Japan handed over to China the work as well as the materials. The Chinese Delegation further declared that Japan should have the right of option as to a foreign loan secured on the pier. However, the Chinese

Government has not resumed the work to this date. On the contrary, Chang Chih, Harbour Commissioner of Tsingtao, sold on January 29, 1927, the Shantung Maru, a dredger which was handed over to China with an understanding that it be employed in the repair work of the pier. The sale of the ship illustrates the lack of sincerity on the part of China with regard to her obligation to effect the improvement of the harbour. The Japanese Consul-General lodged a vigorous protest and finally recovered the ship.

7. Infringement of Vested Rights acquired by Japanese.

In Article 24 of the Shantung Treaty, China declared she would respect the vested rights lawfully acquired by foreign nationals in the former German Leased Territory, and that all questions relating to the status or validity of such vested rights acquired by Japanese subjects or Japanese companies should be adjusted by the Joint Commission provided for in Article 2 of the Treaty. As the Joint Commission failed to reach a satisfactory agreement, the matter was left over to further negotiations between the Japanese and Chinese authorities in Tsingtao. However, successive civil wars and frequent changes in the personnel of the local government retarded the progress of the negotiations. The question still remains unsettled. On the other hand, the acquired rights of the Japanese have been frequently infringed by the Chinese authorities. A few illustrations are given below:

(a) In 1920, the Tsingtao Exchange was organized with a capital of 1,800,000 yen divided equally between the Japanese and Chinese nationals. The Exchange was to deal in peanuts, peanut-oil, cotton yarn, etc. Under the peculiar circumstances prevailing there, the Exchange was so constituted that practically all Chinese were sellers and Japanese buyers. Therefore, there was no question of conflict of interests between the two nationalities. It achieved a signal success and was widely acclaimed as a striking example of Sino-Japanese economic co-operation. In June,

1931, however, the Ministry of Industry at Nanking ordered the Bureau of Social Affairs of Tsingtao to appoint a committee to make arrangements for the rendition of the Exchange. This move was evidently inspired by local Kuomintang agitators. In response to the order, the Municipality of Tsingtao proposed to the Nanking Government that it should open a Chinese Exchange in the city. By September, this movement reached its height. A temporary office of the new Exchange was opened in the building of the Tsingtao Chamber of Commerce. On September 19, the Chinese brokers were forbidden to trade in the Tsingtao Exchange. Moreover, they were taken by force to the new Exchange and compelled to trade therein.

(b) On January 20, 1931, the Tsingtao Customs issued a notification to the effect that as from February 1, 1931, steamers and motor boats of less than 100 tons should not engage in foreign trade. This purported to prohibit the entry of Japanese fishing boats into the port of Tsingtao. The Customs issued another notification prohibiting as from May 1, 1931, the importation of fish by a foreign vessel with the exception of that imported direct from a foreign port with an invoice. Consequently, Japanese fishing boats operating from Tsingtao were forbidden to bring in their catches direct from the sea. As these notifications were clearly in violation of the Japanese vested rights, the Japanese Government vigorously protested and obtained the suspension of the orders.

(c) During the period of Japanese Administration, a marine products guild was organized by the local Japanese, and a fish market was opened under its management. Recently, the Chinese authorities have authorized a Chinese fishing company to open a new market to compete with the Japanese interests.

(d) Recently, the Chinese authorities have interfered with the business of Japanese fish dealers by arresting their Chinese customers or employees.

(e) With respect to public enterprises relating to electric light, stockyard and laundry, the Chinese Government agreed to transfer them to commercial companies to be formed by Chinese and foreign nationals, on which Japanese interests were to be represented in proportion to the capital invested. However, the Chinese authorities have persistently refused to permit the formation of such companies.

PART VI.

Economic Relations Between Japan and China.

1. Trade between Japan and China.

Japan and China are interdependent in their economic relations. The trade between the two countries shows this. Twenty-seven per cent. of the total foreign trade of China is with Japan. Any rise or fall in her trade with Japan directly affects her economic and financial conditions. The recent economic boycott against Japan has inflicted no less severe a blow upon Chinese business circles than upon Japanese. Thus a large number of Chinese business concerns in Hankow, Shanghai, and other big towns have become bankrupt, and strong objections to the anti-Japanese boycott are being raised among the Chinese people themselves. The decline in the Sino-Japanese trade has also caused a heavy decrease in the Customs revenue, which forms the main item of China's national revenue, and the very basis of the finance of the country is being badly affected. If we see the matter from the Japanese standpoint, we find that exports from Japan to China cover more than 25 per cent. of the total amount of the exports of Japan. They are not so voluminous as those to the United States of America, but are far more important in substance. While the exports from Japan to the United States chiefly consist in products of primitive industries such as raw silk and tea, the principal items of exports from Japan to China are mainly such manufactures of prin-

cial industries as cotton yarn and cloth, paper, refined sugar, machines, artificial silk, etc., and as auxiliary thereto China gets from Japan such products of primitive industries as coal, wheat flour, and marine products, and other innumerable kinds of manufactures of home or small-scale industries such as soap, matches, hosiery, glassware, rubberware, etc. It is of vital importance for Japan to secure an adequate market for these innumerable articles of her industry with a view to executing her policy of the industrialization of the country which is essential for the solution of her population problem, and China being the most important market for Japanese goods, the Japanese nation is making every possible effort to maintain it by the rationalization of her industry and the curtailment of cost. The efforts of the Japanese nation to improve her trade with China are shown by the fact that the trade between Japan and China, which was only 20 per cent. of the whole amount of China's foreign trade before the World War (i.e., in 1913), increased to 30 per cent. in 1925, and has since been from 27 to 30 per cent. Imports from China to Japan cover a little less than 20 per cent. of the total amount of the imports to Japan from abroad, and comprise beans, vegetable oils, bean-cakes, minerals, raw cotton, cowhide, cow's bones, beef, etc. These raw materials and food-stuffs are indispensable for the subsistence of the Japanese nation and the industrialization of the country. Moreover, in view of the fact that, while Japan's imports exceed her exports on the whole, and her trade with the United States and that with China have of late years shown each an annual excess of export of between 100,000,000 and 150,000,000 Yen, Japan's trade with China is of great importance for balancing her international accounts.

2. Japanese Enterprises in China.

The total amount of the Japanese investment in China at the end of 1929 was Yen 2,700,000,000, one-third of which (Yen 900,000,000) consists of loans to the Chinese Government and individuals, and the remaining two-thirds (Yen 1,800,000,000) being investment by Japanese solely or in co-

operation with Chinese in various enterprises in China. The latter can be classified, according to kind of enterprise, as follows, namely:—Railway, transportation and warehouse business, Yen 650,000,000; spinning, Yen 250,000,000; banking, Yen 250,000,000; agriculture, mining and forestry, Yen 210,000,000; foreign trade, Yen 110,000,000; manufacturing industries, Yen 100,000,000; electricity and gas, Yen 50,000,000; civil engineering, Yen 30,000,000; others, Yen 60,000,000. The same can be classified according to districts as follows, namely:—Dairen, Yen 700,000,000; Shanghai, Yen 210,000,000; Tsingtao, Yen 140,000,000; Mukden, Yen 50,000,000; Hankow, Yen 40,000,000; Tientsin, Yen 40,000,000; Peking, Yen 7,000,000; Canton, Yen 7,000,000; other districts, Yen 500,000,000. The factories run by Japanese in China are:—43 spinning-mills, 24 oil refineries, 14 breweries, 11 flour-mills, 10 match factories, 9 glass factories, 5 tobacco factories, 4 ship-building yards, 3 sugar-refineries, 2 tanneries, 1 hemp factory, and 51 others comprising machine-shops, utensil-works, iron-works, printing-offices, lumber-mills, soap factories, wax factories, etc., making a total of 177 factories, and the total amount of the capital invested is Yen 350,000,000 (excluding some factories whose capital is unknown or which are operated on combined Japanese and Chinese capital).

Let us proceed to see the relation between Japanese investments abroad and the relation between Japanese enterprises and the whole business enterprises in China. Out of Yen 2,800,000,000, the total amount of Japanese investments abroad at the end of 1929, Yen 2,700,000,000 was invested in China, i.e., 96 per cent. of Japan's total foreign investment was made in China. The largest Japanese enterprises in China are railway, shipping, and spinning. At the end of 1928, the total length of railways in China was 5,400 miles, and the length of the South Manchuria Railway was 754 miles (1,117 kilometres), i.e., 14 per cent. of the whole railways in China was Japanese owned. The total number of modern-style vessels entering Chinese waters during 1930 was 140,000, and their total tonnage 153,000,000, out of which 34,000

vessels or 46,000,000 tons were Japanese, 41,000 vessels or 26,000,000 tons were Chinese, and 65,000 vessels or 81,000,000 tons were under foreign flags other than Japanese: in percentage, 30 per cent. were Japanese, 17 per cent. Chinese, and 52 per cent. foreign other than Japanese. Modern-style spinning industry in China at the end of 1930 recorded 127 mills, 4,200,000 spindles, and an annual output of 23,600,000 bales. Out of these, 44 mills, 1,400,000 spindles, and 700,000 bales were Japanese; 81 mills, 2,400,000 spindles, and 1,480,000 bales were Chinese; and 3 mills, 155,000 spindles, and 133,000 bales were British. Out of the whole the Japanese mills covered 39 per cent. in spindles, 32 per cent. in quantity produced, and 50 per cent. in value. The total quantity of machine-spun cotton yarn produced in China during the same year was 14,780,000 piculs, out of which 810,000 piculs, i.e., 55 per cent., were the output of the Japanese mills.

At the end of 1929 there were approximately 8,200 foreign business concerns and 356,000 foreign residents, out of which 4,800 concerns and 246,000 persons (besides 1,000,000 Koreans) were Japanese, i.e., 59 per cent. of the foreign concerns and 69 per cent. of the foreign residents were Japanese. Such a large number of Japanese business concerns and individuals were and are engaged in the aforesaid various enterprises in China.

If we view the matter from the Chinese point, we find that the Chinese residents in Japan at the end of 1927 are recorded as approximately 27,000, which are classified according to occupation as follows:—Officials and students 4,000, industry 300, commerce 5,000, labour 14,500, and travellers 3,300. Those engaged in commerce have since increased, and while they were formerly retail merchants for the most part, a recent tendency is the increase of those engaged in export business in such centres of export to China as Osaka and Kobe. And notwithstanding that the present Sino-Japanese Commercial Treaty does not stipulate any treaty rights for the Chinese to reside and carry on business

in Japan, the Japanese Government are giving to those Chinese residents the same treatment as is accorded to nationals of other treaty Powers.

3. Japan's Special Relations with Manchuria.

Japan's economic relationship with Manchuria is far closer than that with China proper. The population of Manchuria has more than doubled in the past 30 years. While the dimension of Manchuria is 9 per cent. of the whole of China, the foreign trade of Manchuria covers 22 per cent. of the foreign trade of the whole of China, and 43 per cent. of all the railways in China are run in Manchuria. Such rapid economic development in Manchuria is not only due to the fact that peace and order has been maintained there as a result of the political relationship between that region and Japan, but also to the economic activities of the Japanese which have promoted the economic development of Manchuria through the increase of trade, the improvement of traffic and transportation system, and the development of various branches of industry.

Out of the whole foreign trade of Manchuria, which covers 22 per cent. of the whole foreign trade of China, Japan enjoys 61 per cent. of the import trade and 55 per cent. of the export trade (according to the Chinese Customs Statistics of 1930). Japan's trade with Manchuria in 1930 was Yen 360,000,000, and her trade with the whole of China in that year was Yen 810,000,000, i.e., 44 per cent. out of Japan's whole trade with China was done with Manchuria. The Japanese investment in Manchuria is Yen 1,500,000,000, and is 75 per cent. of the whole foreign investment in Manchuria, viz., Yen 2,000,000,000. It consists of Yen 450,000,000 in transportation business, Yen 240,000,000 in agriculture and mining, Yen 150,000,000 in manufacturing industries, Yen 120,000,000 in commerce, Yen 200,000,000 in banking, and Yen 340,000,000 in other branches of business. The Japanese investment in Manchuria is 54 per cent. of Yen 280,000,000, the whole Japanese investment abroad, and 56 per cent. of Yen 270,000,000, the whole Japanese investment in China.

The Japanese residents in China at the end of 1930 numbered 284,000, and 81 per cent. thereof, viz., 229,000 were in Manchuria. Besides there were 810,000 Koreans in Manchuria. It is well known that the Koreans in Manchuria have by their labour contributed vastly towards the development of agriculture in Manchuria converting into rice fields the waste land deserted by Chinese.

4. Japan's Economic Relations with China.

Japan's economic relations with China, which have vital bearing upon the national welfare of Japan, are safeguarded by the stipulations of various treaties and agreements. It has been pointed out in the preceding chapters that those treaties and agreements have constantly been infringed by China. The object of the following chapters is to illustrate how Japan's economic interests in China have been encroached upon by China's violation of treaties and agreements.

CHAPTER I.

The Attitude of the Nanking Government towards the Consolidation of Unsecured and Inadequately Secured Obligations of China.

1. It was recognized at the Washington Conference of 1921-22 that in order to safeguard peace in the Far East it was urgently necessary to help China establish a stable Government and put her internal administration in order. With this object in view, the Conference concluded the Nine-Power Treaty, whereby the principle of upholding the territorial and administrative integrity of China was established, and also passed a number of Resolutions embodying measures to be taken in putting this principle into practice. The Conference also concluded a Treaty concerning the Customs Tariff of China, whereby it was agreed that China might raise her import duties in order to meet her financial needs for effecting her administrative betterment. The finances of

China were then in an appalling condition owing to the fact, on one hand, that the provincial war-lords were spending the bulk of the national revenues in maintaining huge armies in order to cope with the never-ceasing civil wars and, on the other hand, that the vast domestic and foreign loans, being more or less ignored, had been yearly increasing both in capital and interest. Unless China took some measures to make both ends meet, it was to no purpose to raise her import duties. So the Powers, when concluding the above-mentioned Treaty concerning the Customs Tariff of China passed a Resolution regarding the curtailment of Chinese armies, and by Art. 2 of the same Treaty stipulated that the extent of the increase of the import duties and the appropriation of the revenue accrued by the increased import duties should be decided upon at the Special Conference on Chinese Customs to be held in Peking among the representatives of the Powers concerned. In passing this Resolution, it was pointed out by the Japanese delegate that when the use of the additional revenue resulting from the increase of import duties would be decided upon at a future conference, the service of foreign loans should be taken into consideration, and the Conference agreed to this proposal (*vide* Minutes of the Subcommittees of the Washington Conference, p. 588, etc.)

2. At the Special Conference on Chinese Customs held in Peking in 1925 by virtue of the aforesaid Art. 2 of the Treaty concerning the Customs Tariff of China, Japan, prompted by her desire to assist China in stabilizing her political situation and placing her finance on a secure basis, although she knew that her trade with China would suffer from the increase in the Chinese import duties, took the lead in making proposals concerning the restoration of China's tariff autonomy, the increase of import duties as provisional measure pending such restoration, and the use to which the increased revenue was to be put. The Japanese proposals were agreed to by the Powers, with the result that import duties of China were raised from the uniform rate of 5% ad valorem to the graded rates of the average of 11% ad valorem

as a provisional measure pending the restoration of tariff autonomy by China. The increase of revenue to be effected by this revision of import duties was \$90,000,000 per annum, and this additional revenue was decided to be allotted for three items, viz.: (1) compensation for the abolition of *likin*, (2) administrative expenditure including constructive expenses, and (3) fund for the consolidation of unsecured and inadequately secured domestic and foreign obligations. A scheme was formed whereby the unsecured and inadequately secured obligations of China were to be consolidated in a certain fixed period of respective length, and although the scheme was informally agreed upon by the delegates of all the Powers except China, it failed to be carried through owing to the flight of the Chinese delegate from Peking before the completion of the work of the Conference on account of a political disturbance.

3. The total amount of the capital and interest of the unsecured and inadequately secured obligations owing to Japan by China as at the end of 1930 are about Mex. \$953,000,000 (@ Mex. \$170 per Yen 100). This amount represents about 41% of Mex. \$2,318,000,000, the total amount of the unsecured and inadequately secured domestic and foreign obligations of China, and about 25% of Mex. \$3,500,000,000, the total amount of the Japanese investments in China. These unsecured and inadequately secured obligations owing to Japan by China are the investments made by Japanese firms and banks chiefly between 1915 and 1921. No repayment of capital or interest has been made since, with the result that the Japanese firms and banks concerned are suffering severely because of the fixation of such large capital investment, especially those firms whose whole business is investment in China and who have been unable to carry on as a result. The Japanese Government, therefore, have taken every possible opportunity to aid China to consolidate her unsecured and inadequately secured obligations, but it has been of no avail. The world-wide slump of recent years has made it urgently necessary for Japan to realize the consolidation of China's debts.

In March, 1928, the Nanking Government requested the Japanese Government to agree to the putting into force of the above-mentioned graded import tariff informally agreed upon by the delegates of the Powers at the Special Conference on Chinese Customs at Peking. The Japanese Government, while giving consent to the Chinese Government's request, advised that in accordance with a decision informally made at the above-said Special Conference on Chinese Customs, the Chinese Government should devote part of the additional revenue from the new tariff to the consolidation of the unsecured and inadequately secured domestic and foreign obligations. As the result, the following agreement was made between China and Japan by an exchange of notes dated January 30th, 1929 (which agreement, for reasons connected with the internal political situation of China, was kept from publication for the time being by mutual consent):—

(1) That the Chinese Government shall establish a Commission for the consolidation of domestic and foreign obligations and carry on the consolidation of the unsecured and inadequately secured obligations, and especially take the following measures:

(2) That for the purpose of such consolidation the Chinese Government shall defray Mex. \$5,000,000 at least annually (this sum may be increased) out of the additional revenue accrued by the new Customs Tariff;

(3) The full details regarding (1) shall be discussed at a conference of the representatives of creditors which is to be held at the earliest possible opportunity;

(4) At the conference of the representatives of creditors, due consideration shall be given to the discussions made at the Special Conference on Chinese Customs at Peking.

It is a fact that, according to the above agreement, the Chinese Government have annually set aside Mex. \$5,000,000 out of the additional revenue from the new tariff, but no other measures have been taken for the consolidation of

debts. (For particulars of the unsecured and inadequately secured obligations of China to Japan and other Powers, see the attached list.)

4. In the course of the negotiations between Japan and China from January to May, 1930, concerning the recognition of China's tariff autonomy, it was pointed out by the Japanese representative that the consolidation of unsecured and inadequately secured obligations of China was not only necessary for the protection of the Japanese creditors but also important for the restoration of China's international credit so that she might be able to borrow foreign capital needed for her various schemes of constructive work. The Chinese Government agreed to this view, and as an Annex to the Customs Tariff Treaty signed between Japan and China on May 6, 1930, an exchange of notes was made to the effect that in view of the urgent necessity of the consolidation of the vast amount of the unsecured and inadequately secured obligations of China to Japan, the National Government of China is setting aside Mex. \$5,000,000 annually out of the Customs revenue and intends to call a conference of the representatives of creditors prior to October 1, 1930, at which conference shall be presented and discussed a detailed scheme of consolidation. In spite of such a definite promise of the Chinese Government to the Japanese Government to effect consolidation of China's debts, the Chinese Government, owing to the internal political disturbances, took no adequate measures of consolidation beyond setting aside Mex. \$5,000,000 annually out of the Customs revenue. As the result of repeated advice from Japan, the Chinese Government held a conference of the representatives of the creditors in Nanking on November 15, 1930, at which the Chinese Government only perfunctorily produced an outline scheme of consolidation, and no real progress was made in the consolidation of the debts in question.

5. The Chinese Customs revenue greatly increased through the enforcement of the graded tariff in February, 1929, the Haikuan Gold Unit in February, 1930, the new Import Duties in January, 1931, and the new Export Duties

in June, 1931. The Customs revenue of 1928 was Haik. Taels 82,000,000, that of 1930 was Haik. Taels 180,000,000. For the year 1931, a total increase of Haik. Taels 100,000,000 was estimated, Haik. Taels 70,000,000 being the estimated increase owing to the new Import Duties and Haik. Taels 30,000,000 to the new Export Duties. Thus, in spite of the severe anti-Japanese economic boycott which since September, 1931, almost brought the trade between China and Japan to a standstill some increase in China's Customs revenue is still anticipated.

According to the Annual Financial Report of the Chinese Government for 1930, out of the total revenue of Mex. \$438,000,000, the Customs revenue is Mex. \$275,000,000, i.e., about 60% of the total revenue; and out of the total national expenditure of about Mex. \$500,000,000, about 50% are for military expenses and, besides this, large amounts of military expenses are met by national bonds of short periods. If China curtailed her military expenses in accordance with the Resolution of the Washington Conference, it would not be difficult for her to carry out the consolidation of her debts. But the endless wars among the war-lords are causing the increase of her military expenditure and preventing the consolidation of her debts. Japan, at each of the aforesaid junctures when a large increase in the Chinese Customs revenue was effected, presented to China a scheme of debt-consolidation which was practicable within the financial means of China. But the Chinese Government gave no heed to Japanese advice, and, moreover, the Kuomintang (Nationalist Party) openly repudiated the so-called "Nishihara loans", alleging that they were illegal loans to a militarist government. This attitude of the Kuomintang has added to the difficulty in the consolidation of the debts of China.

6. As has already been pointed out, the never-ceasing civil wars, which necessitated vast military expenditure, have been chiefly responsible for China's failure to meet her domestic and foreign obligations. Another important factor which prevented China from discharging her obligations was the Nationalist Party's denunciation of certain loans incurred

by the former Peking Government, the so-called "Nishihara loans" being among them. The Nationalist Party declared such denunciation in order to oppose the Peking Government, and the Nanking Government, which superseded the Peking Government, adhering to the Nationalist Party's policy, hesitated to carry out the consolidation schemes presented to them by Japan and other Powers.

The loans known as "Nishihara loans" comprise several loans made to the Peking Government by a Japanese syndicate in 1917-18, during the period before and after China's declaration of participation in the Great War on the side of the Allied and Associated Powers. Their capitals and interest amount in total to approximately Mex. \$680,000,000. The object of these loans was to meet the expenses required for the re-organization of the Bank, construction and extension of railways and telegraphic wires, development of forestry and mining, and military expenses necessitated by participation in the Great War. The Nationalist Party subsequently declared that the contracts for those loans were null and void for the reason that they had been concluded by the Peking Government which the Nationalist Party did not recognize, and gave publicity to their allegation that the Peking Government used those loans to meet the expenses of southern expeditions and that members of the Peking Government received large bribes when contracting them. When making the declaration of its platform on January 10, 1924, the Nationalist Party declared as one of its foreign policies that "the Chinese nation has no responsibility to repay any foreign loan incurred by a Government which bears no responsibility in China, viz., the Peking Government under a President elected by bribery."

But the Peking Government was a legitimate Government of China recognized by the Powers, and the "Nishihara loans" are loans lawfully entered into between this legitimate Government and a Japanese syndicate. Nor did there exist any illegality or ambiguity in the uses to which those loans were put. More than 50% were used for financial purposes such as the consolidation of Bank and the payment of

interest on domestic and foreign loans, more than 35% were used to meet the military expenses necessitated by participation in the Great War, and over 10% were devoted to general administrative expenses. As regards those uses, there is no difference between the "Nishihara loans" and other foreign or domestic loans which were made for the purpose of aiding the Peking Government. Out of the foreign loans to the Peking Government, 28% are by Japan, 21% by China, and 41% by European countries and America. There is no reason whatever why the "Nishihara loans" should be treated differently from other foreign loans. The Nationalist Party's denunciation of those loans was a means to oppose the Peking Government, but now that the same Party has overthrown the Peking Government and erected its own Government, there no longer exists any reason for it to continue its denunciation of those loans, unless it intends to enforce its anti-foreign policy by denouncing them, and at the same time, benefit in great measure financially by refusing payment of them on the excuse of political difficulties.

CHAPTER II.

ILLEGAL TAXATION.

1. Under the existing treaties, foreign residents in China are not subject to Chinese taxation unless expressly stipulated by treaty. It is a well-known fact, however, that China, in violation of these treaties, is enforcing various taxes on foreign residents, enterprises, and goods, thereby hampering the trade and enterprises of foreigners and causing disputes everywhere with foreign countries. Since the establishment of the Nanking Government, the forcible imposition of illegal taxes has become more frequent. The Nanking Government, in compensation for the abolition of Likin, put into force the consolidated tax and attempted to impose the excise duties and business taxes in local districts. An attempt was made to impose these taxes on foreigners, in utter disregard of the provisions of the treaties. In the enforcement of these taxes, the anti-foreign policy of the Kuomintang and the

extremely anti-foreign industrial policy of the Nanking Government were called into play, and as the result an excessively discriminative treatment was accorded to foreign nationals, goods and enterprises. In regions where the Central Government had no effective control, the consolidated tax and the excise duty, which were taxes to be collected by the Central Government, were additionally imposed by local authorities, and thus the foreigners, their enterprises and their goods were placed in a position worse than before the abolition of Likin. This having provoked the opposition of foreign Powers, the question of illegal taxation has become badly complicated.

2. The illegal taxation relating to foreigners prior to the abolition of Likin may be divided into two categories, namely, illegal taxes on persons and those on goods. With regard to the taxes on persons, the system of direct taxation is in a very imperfect state in China, and except the land tax, direct taxes such as income tax and business tax only nominally exist and are not actually enforced in general. Therefore, illegal taxation on foreigners is not a question of the whole country, but concerns local authorities who are arbitrarily collecting various taxes such as business tax, house tax, stamp tax, travellers tax, mail tax, telegram tax, ship tax, marriage tax, and other taxes which are different in name but actually similar to these taxes. These taxes are imposed on Japanese nationals (including Koreans and Formosans), thereby creating difficulties everywhere.

The principal illegal taxes on goods with which foreigners are concerned are the Likin on goods imported from or exported to foreign countries on which the transit duties have been paid and the taxes similar to this collected in the interior. It is expressly stipulated by treaties that when a transit duty of $2\frac{1}{2}$ ad valorem ($\frac{1}{2}$ of import duty) has been paid on foreign imports transported to inland markets they are exempted from Likin and all other similar inland taxes, and that when a transit duty of $\frac{1}{2}$ export duty ($2\frac{1}{2}$ ad valorem) has been paid on exports of Chinese products from the interior, they are exempted from Likin and all other similar

inland taxes. (The Sino-Japanese Treaty of Commerce and Navigation, 1896, Arts. 11 and 12; and the corresponding Articles of the Commercial Treaties between China and foreign Powers.) Despite these treaty provisions, the local tax bureaux of China are imposing various taxes on these imports and exports upon which the transit duty has already been paid, either in the course of transit or at their destination. These taxes include, besides Likin, such taxes similar in nature to Likin as consumption tax, production tax, and octroi, etc., and also tobacco tax, wine tax, sugar tax, lumber tax, cattle tax, and other sundry taxes too numerous to mention. These taxes, being levied on goods in transit, are of the nature of Likin. Again, despite the treaty provision that when foreign imports are transported between the open ports, they enjoy exemption from any further taxation (the Sino-Japanese Treaty of Commerce and Navigation, Art. 10; and corresponding provisions in the treaties between China and foreign Powers), it frequently happens that various taxes are imposed and exacted, as in the case of exports and imports. When goods manufactured by Japanese factories in China are granted the privilege of the uniform tax for machine-made goods by the National Government, they are immune from any further taxation, provided they pay the required tax in accordance with the uniform tax regulations. Certain local authorities often exact the various taxes mentioned above, even from Japanese factory products which have exemption rights. Moreover, while the Chinese factory products enjoy exemption privileges and are thus free from all taxation, the foreign factory products alone are compelled to pay. The outstanding examples are the cotton yarn and cotton piece goods tax levied by the authorities of Hankow, Tsingtao, Tsinan, Hangchow from the latter half of 1929 to the first half of 1930. There are more than two hundred cases involving various kinds of illegal taxes on Japanese and their goods.

3. The National Government has enforced the New National Tariff from January 1, 1931. Simultaneously, it has promulgated a Government order to abolish from this

date Likin and other similar inland taxes as declared in the Annex of the Treaty dealing with the tariff autonomy. Accordingly, most provinces have done away with the Likin system, but Hopei, Shensi, Shansi, Szechuen, Yunnan, Kweichow, Canton, Kwangsi, and Fokien, besides the Three Eastern Provinces, have not yet abolished the Likin system. In some regions where Likin has actually been abolished, new taxes equal to Likin in substance are now being enforced.

The National Government, in order to replenish the annual deficits caused by the abolition of Likin, commenced the levy of the consolidated tax on cotton yarn, cotton piece goods, tobacco, matches, cement, and wheat flour. The Central Government contemplated the scheme of collecting special consumption tax on ten kinds of goods such as porcelain, lumber, oil, paper, etc., and to make the provincial governments collect the business tax. Two or three provinces commenced the collection of the business tax, but most provinces are not yet enforcing the levy on account of the opposition from the merchants who complain of the extortionate nature of this form of taxation. The enforcement of the special consumption tax was considered as equivalent to the revival of Likin, and its collection was held in abeyance. But in Hopei, Hunan, and other provinces and also in Tsingtao, the collection was enforced in disregard of the order of the Central Government. The collection of the consolidated tax on foreign imported goods or foreign factory products, except on the imported cotton yarn (Item 1 of Table 1 of Annex 1 to the Sino-Japanese Tariff Treaty of 1930) is regarded as violation of treaty rights and has provoked considerable opposition from various countries, but the National Government nevertheless enforced the collection of the consolidated tax. However, it is impossible to enforce the consolidated tax on foreign-owned factories lying in areas like the Foreign Settlements where no Chinese administration (jurisdiction) is effectively conducted. In view of this practical impossibility, the National Government made contracts with foreign cotton spinning companies, tobacco manufacturers and some match manufacturers,

by virtue of which the factory owners were obligated to pay the consolidated tax. And the National Government promised to reimburse any illegal taxes imposed in other districts on goods put out by factories which had paid the consolidated tax. But in the Three Eastern Provinces, Canton, Fokien and other regions, illegal double taxation was enforced on goods on which the consolidated tax had already been paid. The factory owners, in pursuance of the above, mentioned contracts, demanded from the National Government the reimbursement of the consolidated tax. But in many instances the Government evaded the issue and refused to reimburse.

As for the business tax, the Central Government promulgated the general law on June 13, 1931, and instructed the local authorities to make detailed regulations for collection. In the Hunan and Hupei provinces and also in Tsingtao, the collection of this tax was commenced, and an attempt was made to apply the same to foreigners as well. But the application constitutes the contravention of treaty rights, and, besides, the regulations discriminate against the merchants dealing in foreign imported goods by charging higher rates, thereby favouring the merchants dealing in native goods. Japan, the United States and Great Britain have lodged protests with the Central and local governments of China. It is evident that some local authorities are employing coercive measures against foreigners to force payment of this tax.

4. In Manchuria, the government of the Three Eastern Provinces lavishly spent money in railway construction simply for the purpose of competing with the South Manchuria Railway. Vast expenditures for railway building and war preparations have impoverished the exchequer. The Mukden authorities have indulged in a series of exactions and squeezes on the plea that the Central Government has not accorded them any financial aid. On the other hand, the Mukden Government, with a view to enforcing taxation, has established a number of Tax Collection Bureaux in the areas adjacent to the railway zone where China has no right of

taxation. It has employed forcible measures to levy illegal taxes on Japanese or other foreign imported goods being transported to nearby markets from the railway zone. Thus the railway zone, which is the base of Japanese commercial and industrial activities in Manchuria, has virtually been besieged by the Chinese tax collectors. As a result, Japanese merchants and industrialists have incurred enormous losses.

The recurring disputes arising out of illegal taxation have irritated the Japanese. The business tax is not universally enforced in China proper. In the districts where this tax is being collected, opposition from the Powers is so strong that foreigners are mostly exempted. The enforcement of this tax in Manchuria undermines the special position of the railway zone and the economic interests of the Japanese. Hence the Japanese are vigorously opposed to it. Thus the issue of illegal taxation has reached a crucial stage in Manchuria.

5. Mention has already been made on the general aspects of illegal taxation. There are issues peculiar to Manchuria. The export duty of Fushun coal, the dual taxation at Dairen, and the discrimination there against imported goods with regard to the collection of the consolidated tax are some of the issues pending in Manchuria. As for the export duty on the coal of Fushun and Yentai, the agreements of 1909 and 1911 provide for a fixed rate in return for the payment of a mining tax by the S.M.R. This special rate is to remain effective, regardless of changes in the Chinese Customs tariff. (A similar agreement exists in regard to the export duty on the coal of Penhsihu). But with the enforcement of the new Export Tariff from June 1, 1931, the National Government has ignored these agreements, and attempted to levy a new duty higher than the one previously agreed to on the coal of Fushun and Penhsihu. Such a step on the part of China deprived S.M.R. and Japanese coal dealers of the immense economic benefits which they had for many years enjoyed by virtue of the existing agreements. It is a manifestation of the sinister designs calculated to jeopardise the interests of the South Manchuria Railway.

The National Government has since April 1, 1931, discontinued the granting of drawbacks to imported goods transhipped from one Chinese port to another. It issues, instead, exemption certificates to avoid dual taxation. However, contrary to the Dairen Customs Agreement of 1907, it has refused to issue exemption certificates to imported goods transshipped to Manchuria via the port of Dairen. The goods shipped to Manchuria through Dairen are entitled to equal treatment with those shipped through other open ports. The discrimination described will result in the shifting of Manchurian trade from Dairen to Newchwang, Tientsin and other ports, thereby deleting the traffic of the S.M.R. From this, it is evident that China is steadily pursuing the policy of isolating the S.M.R. and the port of Dairen. The National Government charges as a consolidated tax 4/5 of the import duty at the Customs. At Newchwang Customs and other stations the consolidated tax collectors make far lower appraisal and assessment than at Dairen, using a far lower exchange rate than that recognized by the Customs gold unit and allowing the payment to be made in silver instead of gold. In consequence of this discrimination, tobacco, for instance, is now being imported through Newchwang, and other goods subject to the consolidated tax are likewise changing their route to the detriment of Dairen.

CHAPTER III.

LOANS, RAILWAY CHARGES, ETC.

1. Loans to the Hanyehping Company.

The Hanyehping Company is one of the largest Chinese iron and coal concerns which works the Tayeh iron mines and the Pinghsiang colliery. The Industrial Bank of Japan, in 1903, loaned to this Company the sum of Yen 5,000,000. Following this, the Yokohama Specie Bank has since furnished loans in several lots aggregating Yen 23,000,000,

which were secured on the whole properties of the Company and made repayable out of the proceeds of the business of the Company. In view of the close relations thus established between the Japanese capitalists and the Company, the Chinese Government agreed, in the exchange of notes of 1915, neither to confiscate the Company, nor to convert it into a state enterprise without the consent of the Japanese capitalists, nor cause it to borrow and use foreign capital other than Japanese. The Chinese Government further agreed that if in the future the Japanese capitalists and the Company should agree on cooperation, it would give its permission. In 1925, another loan of Yen 8,500,000 was supplied to the Company by the Yokohama Specie Bank and in the following year an additional sum of Yen 2,000,000 was furnished. To-day the Company owes to the Japanese approximately Yen 35,000,000. In spite of these vast borrowings, the financial condition of the Company has not improved, and payments are in arrears, causing considerable losses to the Japanese financiers. The constant civil wars and labour troubles, combined with inefficient management, have caused the serious financial difficulties with which the Company is confronted to-day. In 1927, the Wuhan Government appointed a committee to supervise the affairs of the Company. It interfered in the management of the Company by even attempting to confiscate the barges and wharves belonging to the Company. Following upon the downfall of the Wuhan Government in November, 1927, the Nanking Government pursued the same policy initiated by the Wuhan Government. It issued the 'Regulations Governing the Affairs of the Hanyehping Co.' and proceeded to convert the Company into a state enterprise. Thereupon, the Japanese Government through its consular representatives lodged vigorous protests and at the same time, through unofficial sources, served friendly warnings to the Nanking Government, to which the latter replied that it would not undertake to confiscate the Company without the consent of the Japanese Government and that in any case it would fully respect the Japanese interests in the Company. On March 1, 1929, the

Chinese Ministry of Agriculture and Mining ordered the Hanyehping Company to transfer within two weeks all its properties to the committee appointed by the Government to supervise the affairs of the Company. On March 9, the Japanese Consul-General in Shanghai filed a protest with the Chinese Ministry of Foreign Affairs, stating that the said order was in contradiction to the assurance given by the National Government. In view of the firm stand taken by the Japanese Government the Chinese Government refrained from taking further steps. At a general meeting of the Central Executive Committee of the Kuomintang held on June 17, 1929, it was decided to appoint a committee to take control of the Company. The Chinese Government ever since has spared no efforts to effect the transfer of the Company. In the meantime, the Provincial Government of Hupeh has been trying to squeeze the Company with the threat that it would take certain measures to recover from the Company its claims of a questionable nature.

2. Loans to the Nanchang-Kiukiang Railway.

The East Asiatic Industrial Development Co. (The Toa Kogyo Kaisha), during the period of 1912-1922, furnished loans, aggregating Yen 10,000,000, for the construction and improvement of the Nanchang-Kiukiang Railway. These loans were secured on the properties and earnings of the railway, and payments on them were to be made from revenues of the railway as well as from subsidies (Mex. \$300,000 per annum) provided by the Provincial Government of Kiangse. In case of default, the railway was to be handed over to the Japanese firm to be managed by its representatives until the loans and interest charges were paid in full. During the currency of the loans, the railway was to employ an engineer and accountant recommended by the Japanese. Since July, 1925, the subsidies from the Government have been suspended. On the other hand, the railway was compelled to provide free transportation for troops despatched to suppress communist-bandits. (In 1927, of the average monthly earnings of \$39,000, \$30,000 was the charge for

troop transportation, which could never be collected.) The continued troop movements on the line, combined with the reduced traffic due to local unrest, resulted in a serious decline of the railway's revenues. Consequently, the railway defaulted in payments. At the end of 1926, approximately Yen 2,000,000 was in arrears, while at the end of 1930, the money in arrears amounted to more than Yen 5,000,000. In November, 1926, the Wuhan Government placed the railway under its direct control. It dissolved the Board of Directors, and appointed instead a supervisory committee. The Japanese Government asked the Provincial Government of Kiangse to relinquish governmental control of the railway and revive the subsidies. In May of the same year, it addressed a communication to Mr. Wang Pai-chun, Minister of Railways, demanding the reinstatement of the Board of Directors. The Japanese Government signified its consent to the government representatives sitting on the board, but expressed disapproval of the direct control of the railway by the central or local government. It further demanded that the revenues should be handled and disbursements be made with the consent of the Japanese adviser and that the subsidies should be continued. Minister Wang, in reply, acceded to the demands and assured that the Japanese interests would be fully protected by the local authorities. In spite of this, no more than Yen 20,000 were paid before the end of 1928. In January, 1929, the Ministry of Railways instructed the local government of Kiangse to transfer the railway to the state and to pay \$30,000 monthly for the service of the loans. At the same time, it appointed the director of the railway and discontinued the subsidies. The Japanese Government notified the Chinese Government that, before the transfer of the railway to the state, it should be fully consulted as regards the plans for the liquidation of the loans. The Chinese Ministry of Railways agreed to this in principle, and assured that the appointment of the director did not signify the transfer but it was simply for the purpose of improving the management. Before the end of September, the Japanese received only \$160,000 in all for principal and interest payment. In December, an agreement was signed for the

consolidation of the loans, which extended their terms. However, this agreement has not been fulfilled, the Japanese receiving not more than \$150,000 a year which is a mere portion of the annual payments due to them by the new agreement.

3. Shuangchiao Wireless Station of Mitsui & Co.

By an agreement of February 21, 1918, the Chinese Ministry of the Navy gave Mitsui & Co. the right to construct for the Chinese Government a great radio-telegraphic station capable of direct radio telegraphic communication with Japan, America and Europe. In accordance with this agreement, Mitsui & Co. erected a radio station at Shuangchiao. The costs of the station, estimated at £536,267, which were to be advanced by Mitsui & Co., were to be repaid in thirty annual instalments. By a Supplementary Agreement, dated March 5, 1918, the Chinese Government engaged that, during a period of thirty years, it would not permit any other person or firm to erect, nor would it erect for itself, any wireless station in China for the purpose of communicating with any foreign country. The Nanking Government, however, contending that the monopoly was in violation of the principles of the Kuomintang, ignored the claim of Mitsui & Co., and erected a number of radio stations. Moreover, the Chinese Government is giving no heed to Mitsui & Co.'s claim for repayment of the large amount of the debt. Stations erected in disregard of the monopoly are as follows:

(a) International Radio Station.

In 1929, the Chinese Government constructed a wireless sending station at Hulinchiao in the suburb of Shanghai, using German apparatus. Through a contract agreement with the Federal Telegraph Co. of California, U.S.A. it erected a wireless station at Chenju near Shanghai, which was completed on December 6, 1930.

(b) Mukden Radio Station.

(Completed in 1924.)

- (c) Harbin Radio Station.
(Completed in 1924.)
- (d) Yunnan Radio Station.
(Constructed by the French in 1924 and handed over to the Chinese in 1925.)
- (e) Canton Radio Station.
(Completed in 1927.)

4. Discrimination in Respect of Charges on Chinese National Railways.

By Article 5 of the Nine-Power Treaty of 1922, the Chinese Government agreed that, throughout the whole of the railways in China, she would not exercise or permit unfair discrimination of any kind; in particular, "there should be no discrimination whatever, direct or indirect, in respect of charges or of facilities on the ground of the nationality of passengers or the countries from which or to which they are proceeding, or the origin or ownership of goods or the country from which or to which they are consigned." In spite of this treaty commitment by China, the Peking-Hankow Railway, in 1922 made discriminative charges against foreign goods carried on the line. The Dean of the Diplomatic Corps in Peking, after consultation with his colleagues, filed a formal protest on December 28, 1922, with the Ministry of Foreign Affairs against this violation of the Nine-Power Treaty. The Chinese Government in its note of December 22, 1923, replied that the said article applied solely to the Powers dealing with China and to China in her dealings with them or their nationals and had no application to the rights or privileges of foreigners as compared with those possessed by the nationals of China; in other words, China did not covenant away the right to discriminate in favour of her own nationals on the railways in China. In further support of this contention, China held that she reserved to herself, at the Washington Conference, the right to classify the rates on any of her railways. In reply to this, the senior Minister at Peking in his note of April 8, 1924, stated in effect as fol-

lows: The argument that China reserved the right to classify freight rates in favour of her nationals is untenable. When Baron Shidehara, Japanese Delegate to the Washington Conference, inquired, at the twenty-first meeting of the Committee on Far Eastern Affairs, if it was understood that the classification of freight rates should not be made in such a way as to entail any discrimination for or against different governments or their nationals, the Chairman (Mr. C. E. Hughes) replied in the affirmative. Article 5 of the Nine-Power Treaty is in a sense a confirmation of the provisions of Article 15 of the Sino-American Treaty of 1844 which guarantees that the citizens of the United States shall not be subject to any new limitations nor impeded in their business by monopolistic or other injurious restrictions. The Minister then urged the Chinese Government to put an end to the discriminative treatment on the railways. Discriminative rates were then already in force on the Peking-Mukden and the Tientsin-Pukow Railways. In 1929, the Ministry of Railways formulated the "Revised Rates" to be effective on January 1, 1930. The "Revised Rates" not only discriminated against foreign goods but also enlarged the scope of discrimination. Formerly, no definition was given of the meaning of "foreign goods." In the new classification, however, the "foreign goods" were so defined as to include goods produced in China with foreign capital or under foreign management. To illustrate the discriminative treatment in the "Revised Classification", rates on cotton cloth, foreign and domestic, are quoted hereunder: Class Rate

Foreign cotton cloth	2	5 cents per picul
Domestic	4	3 " " "

On March 19, 1930, the Japanese Charge d'Affaires called the attention of the Chinese Government to the fact that the discrimination in respect of freight rates not only hampered the freedom of trade but also it constituted a flagrant violation of Article 5 of the Nine-Power Treaty. The senior Minister at Peking, on June 18, 1930, addressed a note of the same tenor to the Chinese Minister for Foreign Affairs, and warned that such discriminative treatment would impair

the friendly relations between China and the foreign Powers. The Chinese Government, however, took no cognizance of the protest. In the note of October 21, 1930, it reiterated the same argument and contended that Article 5 of the Nine-Power Treaty had an application only between the Treaty Powers or between them and their nationals and China, and had no application between Chinese and foreign nationals. In spite of the repeated protests from the Powers, discriminative rates are still in force on the Chinese national railways such as the Tsingtao-Tsinanfu, the Tientsin-Pukow, the Peiping-Hankow and the Peiping-Mukden railways.

PART VII.

The Anti-Foreign Movement.

CHAPTER I.

GENERAL ASPECTS OF THE ANTI-FOREIGN MOVEMENT.

1. General Considerations.

Instances are not rare where the force of the Chinese masses was directed for the elimination of foreign influence. Illustrative of this point is the Boxer War of 1900. A movement such as we do witness to-day in which a government or some leading bodies or individuals urge and drive the masses into anti-foreign agitation originated in the anti-American agitation of 1905 in protest against the anti-Chinese immigration laws of the United States. In 1908 the first anti-Japanese boycott took place when the Japanese Government lodged protests with the Chinese Government against the detention by the Foochow authorities of a Japanese steamer, the Tatsu Maru. The Chinese are now staging their 9th anti-Japanese boycott. In 1925, a nation-wide anti-foreign movement and strike took place, principally aiming at Great Britain, when the Shanghai Municipal Police Force clashed with a Chinese mob on Nanking Road on May 30. Anti-foreignism in China has become more overt and intense with the advent of the National Government in Nanking. The National Government has often declared that they would undertake, within a specified period, the abolition of extrater-

ritoriality, the recovery of foreign settlements and concessions and the revocation of the right of foreign vessels to engage in coast and inland navigation. In this manner, it has incited the anti-foreign sentiment of the people and furnished current topics of discussion for newspapers and periodicals. As a result, the sentiments of the people have become gradually aggravated. And the people in general have come to assume a contemptuous and provocative attitude towards foreigners. Some Government spokesmen have even gone so far as to declare that such attitude and sentiment of the people could never be absolutely reconciled until and unless foreign Powers took measures to abolish extraterritoriality, restore foreign settlements and concessions and renounce all other vested rights and privileges secured by the so-called "unequal treaties." Such an intransigent attitude has become all the more conspicuous since the penetration of the Communistic influence into the Kuomintang party.

The late Sun Yat-sen, propounder of the Three People's Principles, advocated as the means to bring about their realization expulsion of foreign political and economic influence and non-cooperation with foreigners; for instance, refusal to work for foreigners or to use foreign merchandise or foreign money. These doctrines of Sun Yat-sen were embodied in the Platform of the Kuomintang, forming the basis of the "Outline Scheme for National Reconstruction" as well as the "Provisional Constitution" of May, 1931. In this wise, the Kuomintang and the National Government have become the leading influence of the anti-foreign movement.

2. Methods of Anti-Foreign Movement.

The anti-foreign movement in China needs to be studied from two different angles. One is in regard to the anti-foreign education campaign conducted continuously and surreptitiously, and the other concerns the anti-foreign boycott conducted for a limited period against a specific country as the occasion might demand. The former may be said to constitute the motive power or elan vital of the latter.

(a) Anti-Foreign Education.

The methods commonly employed for anti-foreign education have been the use of text-books of an anti-foreign nature and the observance of the so-called "national humiliation days."

The educational policy of the National Government is to inculcate youths with the Three People's Principles. This is provided for in Article 47 of the Provisional Constitution of 1931. Knowledge of the principles of the Kuomintang is required in the civil service examination.

Anti-foreign text-books have been compiled as teaching material for elementary and secondary education and all schools in the land are compelled to use them. These text-books contain erroneous statements of facts which disturb international good will by pointing to foreign countries as enemies and indicating the need for retaliation. These are liable to poison rather than enlighten the minds of Chinese youths.

Again, the National Government, by designating national humiliation days, has endeavoured to impress indelibly upon the minds of the people the memory of all China's so-called unfortunate international events, thereby cultivating fanatical nationalism and anti-foreign sentiments. These national humiliation days are many. Not only the Kuomintang and the National Government, but also public organizations in general commemorate these days by holding special ceremonies and often suspending business.

The national memorial or humiliation days with their origin are enumerated below.

Memorial Days	Date:	Origin:
Popularly known as:		
Memorial Day	January 3rd.	Commemorating the Forcible Rendition of the Hankow British Settlement in 1927.
Memorial Day	May 3rd.	Commemorating the Tsinan Incident of 1928, when Japanese and Chinese soldiers clashed.

Memorial Day	May 4th.	Commemorating the day on which students who started anti-Japanese movement and were dissatisfied with the attitude of foreign Powers at the Paris Peace Conference of 1919, attacked the pro-Japanese official Tsao Ju-lin.
Memorial Day	May 7th.	Commemorating the day on which Chinese were presented with the ultimatum by Japan in regard to the Sino-Japanese negotiations of 1915.
Memorial Day	May 9th	Ditto: Day of Chinese acquiescence in the ultimatum.
Memorial Day	May 30th	Commemorating the Nanking Road Incident of 1925 (Shanghai).
Shameen Incident Day	June 23rd.	Commemorating the Shameen Incident of 1925, when British and Chinese clashed in Canton.
Wanh sien Incident Day	Sept. 5th.	Commemorating the attack by a British warship on Wanh sien in 1926.
Boxer National Humiliation Day	Sept. 7th.	Commemorating the humiliation China received in 1901 as the result of the Boxer Rebellion of 1900.

(b) Anti-Foreign Boycott.

A boycott has invariably been instigated by the National Government whenever there has arisen a major dispute between China and a foreign country. Usually, the Kuomintang or the National Government issue clandestine orders to assemble all leaders surreptitiously, especially of the Chambers of Commerce, in order to organize a specific body for the purpose of a boycott. The aim of a boycott is to prohibit or restrict the sale or purchase of foreign goods by native merchants. In order to accomplish this aim, contracts for the sale or purchase of foreign goods are cancelled and the acceptance of foreign goods is refused. Any merchant found guilty of violating these rules is punished by

fine or confiscation of his goods, or by pillorage or imprisonment; or he is often paraded through the streets wearing a paper cap for the purpose of retribution and humiliation. These measures are always extremely cruel and have a pungent effect.

3. A Boycott is a Violation of Domestic as well as International Law.

An anti-foreign boycott, involving a breach of contract already entered into, is an unlawful act viewed from the angle of civil law. The confiscation or detention of goods possessed by another party is a criminal offence. To inflict drastic penalties on those who violate boycott regulations is a sort of lynching which is seldom witnessed in a civilized country. A boycott is unlawful from the viewpoint of International Law. Where a treaty of commerce assures free intercourse between nations, the prohibition or obstruction of trade with other people by means of coercion and organized violence is clearly an illegal act which the National Government is obligated to effectively control, and its failure in this regard entails a responsibility in the light of International Law.

Moreover, a boycott undermines friendly relations between China and other countries, dealing a staggering blow to the trade and commerce of the afflicted party no less severe than a blow struck in actual warfare. When the Covenant of the League of Nations was the subject of discussion in the Senate of the United States, Senator Lodge said, in effect:—

“A boycott brings about the scarcity of food, subjugates peoples and destroys their trade. When it is applied to a country not self-sufficient, it cuts off the source of its food supply. The pains and hardships such a measure may produce corresponds to those of any actual warfare.”

This dictum of Senator Lodge may be applied with perfect consistency in the case of the anti-foreign boycott, especially as directed against Japan.

CHAPTER II.

THE ANTI-JAPANESE MOVEMENT.

1. Historical Outline of the anti-Japanese Agitation.

Since 1908 anti-Japanese agitations and boycotts have occurred nine times. However, the present agitation and boycott is the most intensive and extensive. The causes and general feature of these movements may be briefly pointed out in chronological order:

(1) On February 5, 1908, a Japanese vessel, the s.s. Tatsu Maru, loaded with arms and ammunition, arrived off the coast of Foochow on its way to Macao. It was illegally captured by four Chinese gunboats and detained in Canton. Thereupon the Japanese Government lodged a protest which caused South and Central China to resort to anti-Japanese boycott which continued from March to November.

(2) In August, 1909, no sooner had the Japanese Government decided to rebuild the railway between Antung and Mukden, in accordance with a treaty provision, than an anti-Japanese agitation was started. The anti-Japanese boycott was kept up for four months in Central and North China.

(3) While Sino-Japanese negotiations were pending anti-Japanese agitation broke out at Hankow in May, 1915, which developed into a nation-wide boycott. It continued until October.

(4) In 1919, the Peace Conference was held in Paris, when the Powers recognized the cession to Japan of the German interests in Shantung. Dissatisfied with this arrangement, the Chinese envoy finally refused to sign the Peace Treaty. Presently an anti-Japanese boycott was conducted all over China. It continued from May, 1919, until April, 1920.

(5) On March 10, 1923, the Chinese Government notified the Japanese Government of the expiration of the lease of the Kwantung Leased Territory. Upon Japan's refusal to recognize this notice, China deemed it possible to

accomplish the rendition of the said territory by means of a boycott. A nation-wide anti-Japanese agitation was started and a boycott continued until August. A manifesto severing economic relations with Japan, and used since, made its first appearance.

(6) On May 30, 1925, Chinese rioters clashed with the Police Force of the Shanghai Municipal Council on Nan-king Road. This incident resulted in a nation-wide anti-foreign movement. Great Britain was the objective of the attack, but Japan was soon driven into the fold due to incitement and for half a year she suffered an anti-Japanese boycott.

(7) Japan despatched troops to Shantung during the civil war of 1927 for the purpose of affording protection to her nationals. This emergency measure provoked an anti-Japanese agitation. A boycott continued from June to July throughout China.

(8) In May, 1928, Japanese troops clashed with Chinese forces in Tsinan. This gave rise to a nation-wide anti-Japanese agitation, followed by an intense anti-Japanese boycott lasting for half a year. The anti-Japanese movement in each locality was conducted most systematically under the leadership of the Kuomintang.

(9) The present anti-Japanese boycott activity is the ninth and constitutes the largest, as has previously been mentioned. In June, 1931, on learning that Korean farmers in the Wanpaoshan Farm were victims of coercion and violence at the hands of the Chinese people and their officials, their compatriots in Seoul and Chemulpo assaulted the Chinese there resulting in numerous casualties. In the middle of July the anti-Japanese Overseas Chinese Aid Association was first formed in Shanghai, with the avowed aim of issuing anti-Japanese manifestos and of instituting an anti-Japanese boycott. Other localities followed suit, culminating in nation-wide anti-Japanese agitation and a boycott. This movement was intensified by the Manchurian Incident of

September 18th. The name of the anti-Japanese Overseas Chinese Aid Association was changed to the Anti-Japanese National Salvation Association, with the "permanent severance of economic relations with Japan" as its slogan.

2. General Survey of Anti-Japanese Agitation and the Boycott of 1931.

The general aspects of the present agitations and the boycott bear almost identical earmarks everywhere. This is due to the fact that the Kuomintang is in complete control of the said movement, supported by the National Government. The core of the anti-Japanese movement throughout all outports exists in the Anti-Japanese Overseas Chinese Aid Association which has been renamed the Anti-Japanese National Salvation Association. This Association conducts anti-Japanese propaganda, holds meetings and parades, distributes handbills and posters and formulates the modus operandi of the anti-Japanese boycott.

It is charged with the practical execution of the boycott. It is composed of the committees selected from the influential members of various Chambers of Commerce and also those affiliated with the Kuomintang. Consequently, its power is of such magnitude that even a municipal government is unable to cope with it. Even the court of justice does not hesitate to accede to its demands. This organization has passed the following resolutions at all points where it operates:

- (1) Not to buy Japanese goods.
- (2) Not to use Japanese goods.
- (3) Not to transport Japanese goods.
- (4) Not to use Japanese money.
- (5) Not to use Japanese steamers.
- (6) Not to associate with Japanese nationals.
- (7) Not to work for Japanese.
- (8) Not to patronize Japanese banks.

- (9) Not to use Japanese godowns.
- (10) Not to supply Japanese with provisions and articles of daily use.

This is not only a flat refusal to deal in Japanese goods, but also a complete severance of relations with Japanese, even threatening their daily livelihood.

The Anti-Japanese and National Salvation Association has adopted the following measures:

- (1) To formulate regulations affecting the registration and the examination of Japanese goods.
- (2) To urge Chinese employees of Japanese to strike or to retire.
- (3) To keep vigilance on the Chinese who frequent Japanese business premises.
- (4) To impose fines on those whose conduct is in contravention of the spirit of the boycott, to confiscate their goods or property, to parade them through the streets or to subject them to pillorage in public.

In this manner the Associations have meted out and imposed ruthless punishment. The anti-Japanese agitation and the boycott conducted under the system described took practical effect from the end of July. Japanese goods detained reached an immense quantity. Occasionally even Japanese owned goods were illegally plundered and deliberately confiscated. By the end of September the boycott became quite uniformly effective in every locality. Sino-Japanese economic relations were practically severed throughout the length and breadth of China. Thus traders received notices of the cancellation of contracts already entered into, and transactions virtually ceased to be consummated. The manufacturers of cotton yarns and cotton piece goods had to cut down their production or suspend operations owing to lack of demand for their products. Japanese bankers were compelled to suspend transactions

with Chinese bankers. Japanese steamship companies suspended their round trip voyages and kept their steamers idle in moorings.

As to Japanese residents in general, their livelihood has grown exceedingly precarious, due to anti-Japanese propaganda, mass meetings and demonstrations. They have been forced to take refuge in safer places as occasions demanded. Increasing numbers of Japanese have suffered violence at the hands of the Chinese who threw stones at them and committed other outrageous acts. As the dangers to their persons became manifest Japanese women and children had gradually to evacuate from last September. Those Japanese who resided in the places where daily living depended on Chinese services and where their daily necessities were supplied by Chinese found their lives imperilled owing to the strike of the Chinese as well as to the stoppage of the daily supplies. Even the Consular staff of Chengchow, Chengtu, Yunnan, and Chungking, were thus threatened. They had finally to evacuate by the end of October. For reference, the number of Japanese who evacuated up to the end of December is given below:

Shanghai	511	*Chifeng	15	Ichang	17
Nanking	134	Tsitsihar	87	Amoy	34
Wuhu	46	Hailar	9	Changsha	14
**Hangchow	25	Anganghsi	23	Canton	149
*Chengchow	15	Anda	16	Hongkong	232
Hankow	126	Tiehling (including Kaiyuan)	323	Tientsin	122
Shashi	12	Taolu	30	Changchiakow	7
*Chungking	100	*Wenchow	14	Harbin	558
*Chengtu	6	Chinkiang	5	Manchuli	50
Swatow	56	Soochow	19	Bhast	17
Foochow	—	Kiukiang	23	Ilecte	7
*Yunnan	19	Sinyang	3	Macershan	7
Shanhaikwan	—	Tayeh	14	Peishan Chengtse	18
				Mukden	112

C.F. (1) "*" indicates the wholesale evacuation of Consular staff and Japanese residents except Wenchow where there is no Japanese Consulate.

"**" indicates the wholesale evacuation of Japanese residents except the Consular staff.

(2) No reference is made as to the evacuation of Koreans in Manchuria.

3. Students and the Anti-Japanese Agitation.

The outstanding features of the present anti-Japanese agitation are the vigorous activities of Chinese students, male and female. They have participated not only in demonstrations and propaganda work, but also in the inspection of Japanese goods with the permission of the Kuomintang and the National Government. The Government organized the Students' Volunteer Corps last November and issued instructions to local authorities to organize local units. In Shanghai, Nanking, Foochow, Amoy and Tientsin, military training was given to these Students' Corps. Students' Anti-Japanese Associations of Shanghai, Nanking, Peiping and Hankow requested the Nanking Government to declare war against Japan. In Shanghai and Hankow, under the pretence of "soliciting" funds for General Ma Chan-shan of the Heilungkiang Army, students demanded contributions from Chinese in the streets. Even the National Government found it impossible to keep control of a student movement of this nature. On October 28, students in Nanking assaulted Dr. C. T. Wang, Minister of Foreign Affairs. In November, they demanded of General Chiang Kai-shek and Dr. Wellington Koo, Minister of Foreign Affairs, an explanation on Chinese politics. They resorted to violence and attacked Mr. Tsai Yuan-pei, the Elder Academician of China.

4. Actual conditions of the Anti-Japanese Agitation and Boycott in various Cities of China.

(1) Nanking.

Since the middle of July, the mass meetings and demonstrations of the anti-Japanese organizations have occurred more than a score of times under the leadership of the Kuomintang. On September 21, the Chinese Press Corps declared the severance of relations with the Japanese news agents in Nanking. Since then the press opinions

have become quite extraordinary and caustic. On the same day, there was the citizens' anti-Japanese demonstration and almost all members of the Japanese community took refuge in the hulk of the Nisshin Kisen Kaisha. At the end of September, Dr. Soyeshima, legal adviser to the Chinese Government, and more than thirty Japanese military instructors, who had been invited by the National Government, were all summarily dismissed. Ever since September, the telephone communication between the Japanese Consulates at Nanking and Shanghai has been obstructed. Mails addressed to the Japanese Consulate at Nanking have been opened by the Kuomintang authorities. Newspapers forwarded from Shanghai and Japan have been confiscated by Chinese authorities. From October a boycott was put into operation, and the inspection and detention of Japanese goods was initiated. On October 5, Chinese compradores of the Nisshin Kisen Kaisha retired with other employees from their active service, and the business of the company came to a standstill. On October 15, three Chinese merchants were paraded through the streets, as they had handled Japanese goods. From November, military training was given to the Student Volunteer Corps.

(2) Shanghai.

Shanghai is the base of operations for the present anti-Japanese agitation and boycott. The boycott in Shanghai began to be effective from the end of July. In the same month, there were more than ten cases where Japanese owned goods were detained while in transit and were not returned to their owners. Violences directed against Japanese school children or against Japanese women pedestrians increased tremendously in September and in the early part of October. There were more than ten cases daily of this sort. In December, the number of riotous acts committed against school children reached over two hundred cases, involving some 300 children. And violences committed

against Japanese in general reached the total number of 381 cases, involving 623 people. The Chinese Post Office on many occasions refused to accept the mails of Japanese. The transmission of Japanese newspapers of Shanghai and Japan was temporarily suspended by the order of the Garrison Commander of Shanghai. Japanese telephone calls were denied connection and their conversations were disturbed. Most of the Chinese compradores and other employees of Japanese banks and business firms resigned by the end of September. Wharf coolies went on strikes from October 6. There were some Chinese merchants who would not sell rice and coal to Japanese from the middle of October. The Anti-Japanese National Salvation Association offered prizes to those who secretly sent in the names of the Chinese merchants handling Japanese goods. On October 18, at 10.30 a.m., a mob of about 200 men repaired to No. 5 Factory of the Naigai Wata and Co., situated at West Soochow Road of the International Settlement, distributed handbills, smashed an automobile in front of the gate and hurled stones at the factory and residences, breaking window panes. Later in the afternoon at 2 o'clock, about 30 thugs broke the gate and rushed into the factory. A Japanese laundry house nearby was also raided. On November 1, pickets of the Anti-Japanese Association went to No. 2 Factory of the Dong Shing Cotton Spinning Co. (Japanese) demanding of Chinese workers who were on way to work to strike. On October 4, two Japanese women, office workers of the Shanghai Cotton Spinning Co., were beaten and wounded on their way home by several Chinese apparently in the guise of students. (The affair was brought before the Special District Court where a culprit was prosecuted but the Court only fined him a surprisingly small sum of three dollars.) On November 22, 8 pickets of the Anti-Japanese Association raided Da King, Chinese draper in the International Settlement, and confiscated his cotton piece goods (worth \$1,700) as being Japanese made. The affair was brought before the Special District

Court where the offenders were prosecuted as burglars. On November 25, the Court ruled that the Anti-Japanese Association was an organization recognized by the National Government and the aforesaid acts were inspired by patriotic motives and they could not be considered as acts of burglary. The Court imposed \$20 fine for the criminal act of violence with two years' reprieve.

Shanghai is the centre of Japanese trade in Central and South China. There are a number of large Japanese banks and commercial firms. It is also the centre of Japanese shipping industry in China. There are many Japanese cotton mills with immense productive capacity. The present anti-Japanese agitation and boycott has dealt an unprecedented blow to these commercial and industrial enterprises. The amount of damage is difficult to estimate, but it will reach hundreds of millions of dollars. Japanese business firms are unable to have direct dealings with Chinese. Japanese steamers find it difficult to make shift even by reducing the number of their voyages. Half of the steamers owned by Japanese are laid up. The Japanese cotton mills have cut short their operations. As to the numerous Japanese merchants and industrialists of smaller scale, their business was brought to a standstill as early as November.

(3) Soochow.

From September the anti-Japanese movement became more pronounced and the Japanese residents gradually evacuated.

(4) Hangchow.

On September 23, all Japanese residents except the Japanese consular staff evacuated either to Shanghai or Japan. On September 29, about 800 students rushed to the Japanese Consulate to demonstrate, whereupon the Consul requested the Bureau of Public Safety to keep control over them. From October the authorities concerned allowed students and soldiers to sing anti-Japanese songs.

(5) Wuhu.

On September 25, a Japanese warship anchoring in the harbour was prevented by the Anti-Japanese Association from purchasing foodstuffs. On September 26, the entire Japanese community in apprehension of danger to their lives took refuge in the Nisshin Kisen Kaisha hulk. By October, purveyance to Japanese residents, steamers and naval vessels became much more difficult and the women and children began to withdraw. On October 5 a riotous mob attacked the residence of the Japanese Commissioner of Customs (fortunately he was away then). On October 23, two gunshots were fired at Japanese.

(6) Kiukiang.

In October, Chinese banks stopped transactions with the Nisshin Kisen Kaisha. All the compradores of the Company resigned under the coercion of the Anti-Japanese Association.

(7) Hankow.

From the end of September anti-Japanese agitation and boycott activities were carried on. From October 3, the movement became intensified. The inspection and detention of Japanese goods followed in its wake. Chinese compradores and employees of Japanese firms and Chinese servants of the Japanese were all threatened. As a result they retired from their service or went on strike. Chinese banks refused to deal with Japanese banks from October 6. The Taian Cotton Spinning Co. closed its factories on October 26, as its products found no access to the market.

(8) Chengchow.

From the beginning of September, all official documents to and from the Japanese consulates and mails of Japanese residents were opened by Kuomintang authorities. They stamped the censored mails and forwarded them to the respective addresses. On September 28, the Consular staff and the entire Japanese residents withdrew to Hankow or to Japan.

(9) Changsha.

From September 21, Japanese residents made preparations to take refuge. On October 1 and 3, Chinese rioters forced their entrance into the local office of the N.K.K. and the Taisheng Chang S.S. Co., destroying utensils and office records. On October 30, more than ten hiki (hiki is a roll of piece goods about 10 yards long) of piece goods owned by the Japanese firm of Nakashima & Co., were seized, while in transit, by members of the "Iron & Blood Association." On November 5, the members of the said Association entered a Japanese-owned store and confiscated four hiki of cotton flannel. They intended to arrest two Chinese clerks who, however, happened to be absent. Consequently the pickets ran away with the parents and wives of the clerks as their captives. On November 9, a member of the Anti-Japanese Association and a student raided the Wan Kiang Agent's office of the Taisheng Chang Steamship Co. and carried away a Chinese clerk to the District Kuomintang Headquarters, where the student demanded the return of the premises occupied by the said Company, and also the rendition of the wharf, compelling the clerk to sign a document which the student himself drafted. November 15, a number of students forced their way into the agent's office of the Taisheng Chang S.S. Co. and carried to the opposite shore all documents and articles which they burnt.

(10) Shashi.

The anti-Japanese agitation and boycott was in full swing in October. From October 10, Japanese firms closed and began to withdraw. On November 24, two students stoned the Japanese warship "Seta."

(11) Ichang.

On October 8, more than ten students hurled stones at the Japanese warship "Futami." On the same night the entrance door of the house of a Japanese doctor was nailed from outside by a band of gangsters. On October

9, a riotous mob threw stones at the Japanese Consulate, the Japanese Primary School and Navy Club and destroyed their gates. On October 10, the Navy Club was set afire by an anti-Japanese mob.

(12) Chungking.

From September 20, Chinese coal merchants with their coolies and lighters refused to supply coal to Japanese vessels. On October 5 and 6, pickets of the Anti-Japanese Association confiscated provisions on their way to Japanese vessels. On October 10, certain Chinese posted more than twenty handbills on the wall of the Japanese Consulate. On the same night ruffians (two of them being soldiers in uniform) rushed into the Japanese Consulate, brandishing and firing revolvers. Two shots hit the Consul's residence. On the 13th, Chinese thugs threw stones and mud at two members of the N.K.K. On the 15th, all of the Consular staff and Japanese residents withdrew.

(13) Chengtu.

On September 26, more than 30 rioters broke into the Japanese Consulate, cursing and reviling the employees. From October Chinese threw stones every day at the Japanese Consulate. The Consular staff found pickets of the Anti-Japanese Association interfering even with the purchase of the necessities of life. Since the routine of living was found difficult, all Japanese withdrew on October 14.

(14) Foochow.

From October 7, boycott was in full swing. Presently the transactions between Chinese and Japanese merchants almost ceased to exist. By the end of October even sampans refused to transport Japanese goods. A Chinese merchant named Lin, aged 67, the owner of a lighter belonging to the Osaka Shosen Kaisha, was arrested and detained in the Bureau of Public Safety from October 28, on the charge of having transported Japanese goods. On November 2, a

paper cap with an inscription "traitor merchant" was put on him. He was paraded through the streets. Upon payment of a ransom amounting to \$1,000, he was released on November 19.

(15) Amoy.

From October boycott became distinctly effective. On October 18 at 8.00 p.m., a bomb was hurled at the Japanese Consulate at Kulangsu, and another at the Japanese Police Station at Amoy. Fortunately they did not explode.

(16) Swatow.

From October 1, boycott became intensified. Owing to the strike of lighter coolies, a O.S.K. steamer, which entered the harbour on October 1, found stevedoring impossible. On October 10, some Chinese hurled stones at the Japanese Consulate and smashed the window panes. From the end of September the Mail Carriers' Union of Swatow used stamps bearing such anti-Japanese slogans as "Don't buy Japanese goods," "Japanese Beasts," etc.

(17) Canton.

From October 1, the majority of Japanese merchants residing in the Chinese city took refuge in Shameen. From October 3, Chinese vessels refused to load the Japanese goods which were to be transhipped to Japanese vessels at Hongkong. From October 10, owing to the strike of wharf coolies, the steamers of the O.S.K. and the N.K.K. found stevedoring difficult. A Japanese named Takahashi, in the service of the branch office of the Whampoa Customs, was attacked on October 4 by a band of Chinese soldiers and riotous mob. After fleeing to Kuangchow, he was placed under the protection of French authorities. On October 21, a Chinese warship, the "Pei-Kiang," detained three bales of raw cotton owned by a Japanese concern, Nisshin & Co., which were in transit on a lighter. On October 28, about 100 Japanese women and children withdrew to Japan. The inspection and detention of Japanese goods was carried on from November 1. The Canton authorities

detained, from November 1, all telegrams to and from Japanese residents. On November 10, 39 tons of manganese which Japanese merchants had purchased in Kwangsi Province were seized by the Kwei-Ping authorities.

(18) Yunnan.

On October 3, a crowd hurled stones at Japanese stores destroying the window panes and merchandise. All Japanese residents presently withdrew to Hanoi.

(19) Hongkong.

On September 23, a Chinese mob of more than several hundred men raided Japanese shops at Wantze and smashed the windows. On September 25, there were more than ten cases involving violence on Japanese by Chinese in Hongkong and Kowloon. On September 26, a mob of several hundred men attacked a Japanese family at Kowloon, killing six and wounding two. From that day to September 10, boycott became more drastic and effective. Japanese residents found it difficult to purchase articles of daily use. By November, Japanese steamers found it utterly impossible to do stevedoring.

(20) Tientsin.

In the beginning, anti-Japanese demonstrations were kept well in hand by the Chinese authorities. In September, boycott was initiated. The Harbour Office of Tientsin issued orders to all Chinese shipping firms under its jurisdiction, prohibiting the loading of Japanese goods and the use of Japanese vessels. In October, the Anti-Japanese Association placed a ban on the exportation to Japan of Chinese cotton or the sale of the same through Japanese merchants. Some Chinese refused to accept the Yokohama Specie Bank notes. On October 10, two Japanese soldiers in plain clothes were walking on a Chinese street when thirty Chinese soldiers attacked them in front of the Second Army Headquarters. They were robbed of their possessions and sustained injuries. From October 15, the anti-Japanese agitation

and boycott was directed by the Kuomintang and became intensified. By the end of November, Japanese import was reduced by 90 per cent. and export was almost stopped.

(21) Peiping.

Since October 15, the Chinese initiated the anti-Japanese agitation and boycott. The local Kuomintang have exhibited anti-Japanese films in various movie houses of the city since October 20.

(22) Tsingtao.

Boycott became intense at the end of September and the sale of the products of Japanese cotton mills at Tsingtao came to a standstill. The Chinese Stock Exchange was speedily established to compete with the Japanese Stock Exchange which is a Sino-Japanese joint enterprise, and Chinese were forced to make use of the new Exchange. The authorities prohibited Chinese from frequenting Japanese Stock Exchange.

(23) Tsinan.

On November 8, twenty bales of cotton yarn owned by the Nippon Menka & Co., were detained by the Anti-Japanese Association.

(24) Chefoo.

On October 13, the boycott became suddenly active.